Washington State Auditor's Office

Financial Statements and Federal Single Audit Report

Clark County

Audit Period
January 1, 2013 through December 31, 2013

Report No. 1012295

Issue Date
July 31, 2014

Washington State Auditor
Troy Kelley
Independence • Respect • Integrity

Washington State Auditor
Troy Kelley

July 31, 2014

Board of Commissioners
Clark County
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on Clark County's financial statements and compliance with federal laws and regulations

We are issuing this report in order to provide information on the County's financial condition.

Sincerely,

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

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January 1, 2013 through December 31, 2013

Federal Summary

Clark County
January 1, 2013 through December 31, 2013

The results of our audit of Clark County are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.

- ***Material Weaknesses:*** We identified deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the County.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.

- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the County's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

CFDA No.	Program Title
20.205	Highway Planning and Construction Cluster - Highway Planning and Construction
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grantsfinanced solely by 2012 Preventinon and Public Health Funds
93.563	Child Support Enforcement

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was $726,086.

The County qualified as a low-risk auditee under OMB Circular A-133.

Schedule of Audit Findings and Responses

Clark County
January 1, 2013 through December 31, 2013

1. Clark County should improve internal controls over its accounting and financial statement preparation.

Background

County management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls over financial reporting that could affect the County's ability to produce reliable financial statements.

Description of Condition

We identified the following deficiencies in internal controls, that when taken together, represent a material weakness:

- The County needs to improve its oversight of those responsible for preparing the financial statements and underlying calculations and schedules. We noted concerns with the review processes related to capital assets, depreciation, equity classifications, journal entries, and implementation of a new accounting standard.

- The County did not conduct sufficient accounting research related to unusual or infrequent transactions that occurred in 2013. We noted insufficient research was done relating to a change in application of accounting principle to depreciate road infrastructure.

- The County's process to evaluate potential legal losses is not adequate to ensure these items are accurately and completely recorded in the financial statements.

Cause of Condition

The County experienced turnover of accounting staff and is in the process of training new staff, which has resulted in a heavy reliance on one person. The County asserted staff was occupied with the implementation of a general ledger recoding project that affected its resources. The County did not compensate by dedicating additional resources to ensure financial reporting was accurate and reliable.

Effect of Condition

The County's financial statements contained significant errors that were not detected by County management. We identified the following errors in the original financial statements we received for the audit:

- The Clean Water Fund experienced a loss and related liability of $3.6 million relating to a legal settlement that was not recorded.
- The Community Services Grants Fund notes receivable was overstated by $1.9 million due to an incorrect journal entry.
- The Clean Water Fund construction in progress included $3.1 million of assets that were no longer in progress and should have been reclassified to an asset account.
- Depreciation for road infrastructure was understated by approximately $6.2 million, due to several overstatements and understatements for different errors.
- The County changed its application of an accounting principle for depreciation but did not adequately disclose it.
- Equity in the Statement of Net Position was misclassified by $19.8 million. Equity of the governmental funds was misclassified by $16.4 million.

We identified additional, less significant errors in the financial statements and notes to the financial statements. Despite these internal control issues and noted errors, the County ultimately provided financial statements upon which we are issuing an unqualified opinion.

Recommendation

We recommend the County dedicate sufficient resources to:

- Provide adequate oversight of the financial statement preparation and underlying entries and calculations.
- Conduct accounting research to support the recording of nonroutine transactions.
- Improve the process for evaluating potential legal losses and ensure such losses are accurately recorded in the financial statements.
- Provide additional training to staff responsible for financial accounting and reporting.

County’s Response

Clark County values and practices a system of strong internal controls to manage and safeguard public resources. These controls help produce accurate and reliable statements free from material misstatements regarding the financial position of the County. Accordingly, we are pleased to receive an unmodified (which means “clean”) opinion on our financial statements for 2013.

Given this outcome, we are concerned about commentary preceding the State Auditor’s favorable conclusion for the 2013 financial statements. We practice continuous improvement and will refine measures to minimize the risk of any misstatements. However, we are unable to concur with the assertion that our 2013 financial statements contained significant errors not detected by county management. Rather, there are some differences of professional opinion about methods of accounting for assets and disclosing the likelihood of future expenses.

Of particular note: the County agreed to a $3.6 million settlement involving the Clean Water program that was approved in March 2014. The prospect of such a settlement was disclosed in our 2013 statements as a subsequent event. Likewise, methods for depreciating County roads and accounting for equity had no material impact on the accuracy or reliability of our financial statements.

Having earned an unmodified opinion from the State Auditor’s Office, we appreciate the recognition of our diligence in meeting financial responsibilities. Nevertheless, we recognize the State Auditor’s recommendations and will continue to implement them in our efforts to meet high standards and maintain public trust.

Auditor’s Remarks

We appreciate the County making corrections for errors found in the 2013 financial statements which allowed us to issue an unmodified opinion. We will review the corrective action taken in our next audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

> 4.23 – When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

> .07 – For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:
>
> > Material weakness – A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.
> >
> > Significant deficiency – A deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Clark County
January 1, 2013 through December 31, 2013

Board of Commissioners
Clark County
Vancouver, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of Clark County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2014. As discussed in Note 25, during the year ended December 31, 2013, the County began to depreciate roads infrastructure previously accounted for under the modified approach. As also described in Note 25, during the year ended December 31, 2013, the County has implemented the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Audit Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Audit Findings and Responses as Finding 1 to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

COUNTY'S REPONSE TO FINDINGS

The County's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 27, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Clark County
January 1, 2013 through December 31, 2013

Board of Commissioners
Clark County
Vancouver, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The County's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 27, 2014

Independent Auditor's Report on Financial Statements

Clark County
January 1, 2013 through December 31, 2013

Board of Commissioners
Clark County
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of Clark County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed on page 15.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate discretely presented component unit and remaining fund information of Clark County, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General, County Roads and Community Services Grants Funds, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 25, during the year ended December 31, 2013, the County began to depreciate roads infrastructure which were previously accounted for under the modified approach. Our opinion is not modified with respect to this matter.

As discussed in Note 25, during the year ended December 31, 2013, the County has implemented the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 through 31, information on postemployment benefits other than pensions on page 99 and infrastructure modified approach information on pages 100 through 101 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

June 27, 2014

Financial Section

Clark County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clark County's discussion and analysis provides a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2013. We encourage readers to consider the information presented here in conjunction with additional information in the letter of transmittal, which can be found preceding this narrative, and with the County's financial statements and notes to the financial statements which follow this discussion.

FINANCIAL HIGHLIGHTS

- The County implemented *The Governmental Accounting Standards Board Statement # 65 (GASB 65)* : Items Previously Reported as Assets and Liabilities in 2013. This resulted in restatement of the January 1 fund balance by ($786,981) in the Statement of Activities. More information on the implementation of GASB 65 and the restatement is found in note # 25 in the Notes to the Financial Statements included in this report.

- Washington State Auditors restructured the Budgeting, Accounting and Reporting System (BARS) structure in 2013. All local government entities are required to use the state's BARS system for their annual financial reporting to the State. Clark County adheres to the BARS system and implemented the new BARS structure in 2013. Some of the implications were a re-categorizing of specific activities to different program areas and a change in how some interfund and intergovernmental revenues and expenditures are reported. We have noted these reclassifications in regards to certain increases and decreases in 2013 throughout this discussion and analysis.

- Clark County's total assets exceeded its total liabilities at December 31, 2013 by $1.4 billion (a $2.3 million decrease from 2012).

- Total net position of the County is comprised of the following:
  1) Net investment of capital assets of $1.3 billion includes all capital assets, net of accumulated depreciation and reduced for outstanding debt related to the purchase or construction of capital assets.
  2) Restricted net position of $101.7 million represents the portion restricted by constraints imposed from outside the County, such as debt covenants, grants and laws.
  3) Unrestricted net position of $40.2 million represents the portion available to be used at the County's discretion, in order to maintain continuing obligations to citizens and creditors.

- At December 31, 2013, Clark County reported a decrease in net position (before prior year adjustments and a restatement for change in accounting principal) of $9.9 million, compared to an $18.3 million increase in 2012. Details of factors contributing to the change in net position for 2013 are included later within this analysis.

- The General Fund's total fund balance increased, from $32.2 million in 2012 to $36.1 million in 2013, for a total increase of 12%.

- Clark County's total long term liabilities are $172.1 million at December 31, 2013, up from $162.3 million in 2012. Remaining capacity for non-voted debt was $453.5 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Clark County's basic financial statements, which include three components: (1) government-wide financial statements; (2) fund financial statements; and (3) notes to the financial statements. This report also contains other required supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with an overview of Clark County's finances in a manner similar to private-sector business. The statements distinguish functions of Clark County that are principally supported by taxes and intergovernmental revenues ("governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges ("business-type activities"*)*. Governmental activities include services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road construction and maintenance; community planning and development; parks and open space preservation; public health; and care and welfare of the disadvantaged and mentally ill. Other general government services provided include elections, property assessment, tax collection, and the issuance of permits and licenses. Business-type activities of Clark County include solid waste, sanitary sewer, a golf course and storm water management.

The **statement of net position** presents information on all of the County's assets, liabilities, and net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The **statement of activities** presents information showing how the County's net position changed during 2013. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. As a result, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods, such as revenues pertaining to uncollected taxes, unpaid vendor invoices, and earned but not used vacation and sick leave. This statement separates program income (revenue generated by specific programs through charges for services, grants and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). By separating program revenue from general revenue, users can identify the extent to which each program relies on taxes for funding. Certain administrative costs or indirect costs are allocated to the various programs, but are eliminated from the direct program costs for comparative purposes.

Both of the government-wide financial statements have separate columns for governmental activities, business-type activities, and a discretely presented component unit.

Governmental activities – Governmental activities are primarily supported by intergovernmental revenues and taxes. Most basic services fall into this category, including general government; public safety; judicial; physical environment; transportation; economic environment; health and human services; culture and recreation; and debt service. Also included within the governmental activities are the operations of four blended component units: Industrial Revenue Bond Corporation, Fairgrounds Site Management Group (Event Center Fund), Emergency Medical Services District, and the Metropolitan Parks District. Although legally separate from the County, these component units are blended with the primary government (Clark County) because of their governance relationship with the County and fiscal dependency. These four entities are reflected in the nonmajor combining special revenue fund statements. Further information regarding these blended component units is found in the *Summary of Significant Accounting Policies* beginning on the first page of *<u>Notes to Financial Statements</u>*. The County has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA). A description of this joint venture is found in note 22 of the *<u>Notes to Financial Statements</u>*.

Business-type activities – Total assets and total liabilities between the government-wide statements and fund statements will differ slightly because the "internal balances" are combined into a single line in the asset section on the government-wide statement.

Discretely presented component unit - The government-wide financial statements include not only Clark County (known as the primary government) but also a legally separate Clark County Public

Facilities District for which the County is financially accountable. Financial information for this discretely presented component unit is reported in a column separate from the financial information presented for the County. A description of this component unit can be found in note 1 of the *Notes to Financial Statements*.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Clark County can be divided into three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds are used to account for most of a government's tax-supported activities and to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at year end. Such information is useful in evaluating a government's near-term financing requirements in comparison to resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund, County Roads Fund and Community Services Grants Fund, which are considered major funds for financial reporting purposes. The governmental fund financial statements can be found immediately following the government-wide financial statements. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in combining statements, outside of the basic financial statements (following the required supplementary information section of this report).

The County maintains budgetary controls with a biennial appropriated budget to ensure compliance with legal provisions. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a department level. A budgetary comparison of revenues, expenditures, and changes in fund balances is provided for the General Fund, all special revenue funds, general obligation bond fund and all capital project funds. Major fund budgetary variance statements are included with the basic financial statements, while nonmajor fund budget variance schedules follow the combining fund statements. Budgetary variances for the General Fund are discussed in more detail later in this section.

Proprietary funds account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges paid directly by those who benefit from the activities. Proprietary funds provide the same type of information as government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. Proprietary fund statements follow governmental fund statements in this report. The County maintains two types of proprietary funds:

Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. Enterprise funds account for the County's solid waste, storm water, golf course and sewer operations. The Sanitary Sewer and Clean Water funds are both considered major funds for financial reporting purposes. The County reports two nonmajor enterprise funds: the Solid Waste Fund and the Tri-Mountain Golf Course O&M Fund.

Internal service funds are used to report activities that provide services to the County's other programs and activities on a cost reimbursement basis. The County uses internal service funds to account for its vehicle fleet, election services, insurance reserves, radio and computer equipment replacement reserves, and various other administrative services. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column. All internal service funds are aggregated in a single column in the basic proprietary fund financial statements. Individual fund data can be found in the combining statements.

Fiduciary funds are used to account for resources that are held by a government as a trustee or agent for parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Clark County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The County has three types of fiduciary funds: 1) Investment Trust Funds (which report the portion of County investments that belong to other jurisdictions), 2) Private Purpose Trust Funds (which report trust arrangements where the principal and interest benefit those outside of the County), and 3) Agency Funds (which are clearing accounts for assets held by Clark County in its custodial role until funds are allocated to the private parties, organizations, or government agencies to which they belong). The basic fiduciary fund financial statements follow the proprietary fund financial statements in this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

GOVERNMENT- WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position may serve over time as a useful indicator of a government's financial position. Clark County's combined net position (governmental and business-type activities) was $1.4 billion at the end of 2013 (a decrease of $2.3 million from 2012). Net position invested in capital assets increased $15.6 million, primarily due to a decrease in debt liability against capital assets and capital projects added to the asset base.

Unrestricted net position at the end of 2013 is $40.2 million, compared to $54.7 million in 2012. Changes in unrestricted net position are a result of total change in net position, as well as changes in both net investment in capital assets and restricted net position. Restricted net position decreased from $106.6 million to $101.7 million. Restricted net position in health and human services decreased $4.3 million as a result of less grant revenue unspent at the end of 2013. Restricted net position decreased in the areas of law and justice ($2.5 million decrease) and transportation ($3.3 million decrease), while other areas had increases of lesser degrees.

Total liabilities increased $17.1 million. Long term liabilities accounted for $9.8 million of the increase, primarily from $10 million bond issued to cover a legal settlement. Claims and judgments increased by $3.6 million due to a settlement related to clean water business-type activities. In addition, deposits payable increased $3.5 million. The big contributor to this increase in deposits is the Cad System Replacement Nonmajor Capital Project Fund, which is in receipt of $2.9 million in deposits payable from a Joint Venture entity, Clark Regional Emergency Agency (CRESA). The deposit payable represents funds held for future equipment purchases which will be turned over to CRESA upon purchase. More information on this can be found in Note 22 in the *Notes to Financial Statements*.

Of the County's total net position, 89.9% is net investment in capital assets, 7.2% is subject to external restrictions by outside parties, and the remaining 2.9% represents the amount that may be used to meet the County's ongoing general purpose obligations. The condensed financial information that follows is derived from the government-wide Statement of Net Position and reflects the County's net position in 2013 compared with 2012.

Clark County Net Position

	Governmental Activities		Business-type Activities		Total		
	2013	2012	2013	2012	2013	2012	% Change
Current & other assets	$ 229,332,730	$ 221,549,108	$ 6,723,982	$ 7,463,672	$ 236,056,712	$ 229,012,780	3.1%
Capital assets (net of depreciation)	1,157,291,221	1,158,491,666	224,747,744	217,239,739	1,382,038,965	1,375,731,405	0.5%
Total assets	1,386,623,951	1,380,040,774	231,471,726	224,703,411	1,618,095,677	1,604,744,185	0.8%
Long term liabilities	171,240,030	161,520,242	792,443	785,067	172,032,473	162,305,309	6.0%
Other liabilities	41,426,642	36,754,449	5,169,972	2,433,645	46,596,614	39,188,094	18.9%
Total liabilities	212,666,672	198,274,691	5,962,415	3,218,712	218,629,087	201,493,403	8.5%
Net position:							
Net investment in capital assets	1,032,768,522	1,024,697,643	224,747,744	217,239,739	1,257,516,266	1,241,937,382	1.3%
Restricted	101,701,239	106,642,612	0	0	101,701,239	106,642,612	(4.6%)
Unrestricted	39,487,518	50,425,828	761,567	4,244,960	40,249,085	54,670,788	(26.4%)
Total net position	$ 1,173,957,279	$ 1,181,766,083	$ 225,509,311	$ 221,484,699	$ 1,399,466,590	$ 1,403,250,782	-0.3%

Governmental net position - net position of the County's governmental activities decreased by $7.8 million in 2013, from 2012. Assets increased $6.6 million in 2013. Taxes receivable increased $6 million, due to the accrual of prior year tax revenue received in January and February of 2014. Customer accounts receivable increased $3 million, notes receivable decreased $2 million and net capital assets decreased $1 million.

Total liabilities increased $14.4 million. Long term liabilities increased $9.7 million, primarily due to a $10 million judgment that was funded by a Limited Tax General Obligation bonds, while deposits payable increased by $3.7 million, largely due to the $2.9 million deposit in the Cad System Replacement Nonmajor Capital Project Fund that was discussed in the previous section.

The Unrestricted net position for governmental activities of $39.5 million (down from $50.4 million in 2012) is available for future spending.

Business-type position - Business-type net position increased by 2% in 2013. Total assets increased $6.8 million, as a result of a $7.5 million increase in Capital assets. Total liabilities increased $2.7 million, as a result of a $3.6 million judgment payable for clean water activities and a $0.9 million decrease in accounts payable from 2012.

Of total net position, $224.7 million (99.7%) is net investment in capital assets, while $761,567 is unrestricted and available for future spending.

<u>Analysis of Changes in Net Position</u>

The County's total change in net position in 2013 (not including prior period adjustments and restatement for the change in accounting principal) was a decrease of $9.9 million, compared to an $18.3 million increase in 2012. The condensed financial information that follows is derived from the Government-Wide Statement of Activities and reflects how the County's 2013 changes in net position compare with 2012.

Clark County Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Program Revenues						
Charges for services	$ 84,234,359	$ 67,650,000	$ 12,994,397	$ 26,687,906	$ 97,228,756	$ 94,337,906
Operating grants and contributions	32,628,193	69,379,097	1,334,194	1,332,402	33,962,387	70,711,499
Capital grants and contributions	33,042,496	21,114,627	1,712,659	278,736	34,755,155	21,393,363
General Revenues						
Taxes	137,318,043	140,183,107			137,318,043	140,183,107
Gain on sale of assets	3,499,463	4,108,470			3,499,463	4,108,470
Claims and judgments	-	-	30,276	-	30,276	-
Interest earnings	4,456,075	1,153,546	35,464	29,072	4,491,539	1,182,618
Total revenues	295,178,629	303,588,847	16,106,990	28,328,116	311,285,619	331,916,963
Program Expenses:					-	
General government	70,483,636	52,207,688	-	-	70,483,636	52,207,688
Public safety	75,670,843	74,885,144	-	-	75,670,843	74,885,144
Judicial	12,551,160	17,456,320	-	-	12,551,160	17,456,320
Physical environment	7,460,932	3,960,952	-	-	7,460,932	3,960,952
Transportation	62,741,665	39,000,013	-	-	62,741,665	39,000,013
Economic environment	21,256,793	17,999,780	-	-	21,256,793	17,999,780
Health & human services	29,731,840	49,926,490	-	-	29,731,840	49,926,490
Culture & recreation	15,555,485	18,175,709	-	-	15,555,485	18,175,709
Solid Waste	-	-	2,761,494	3,212,791	2,761,494	3,212,791
Water	-	-	5,558,703	5,716,578	5,558,703	5,716,578
Golf Course	-	-	1,364,596	-	1,364,596	-
Sewer	-	-	6,522,202	8,211,599	6,522,202	8,211,599
Interest on long term debt	5,949,954	4,985,366		-	5,949,954	4,985,366
Total expenses	301,402,308	278,597,462	16,206,995	17,140,968	317,609,303	295,738,430
Excess (deficiency) of revenues over (under) expenses	(6,223,679)	24,991,385	(100,005)	11,187,148	(6,323,684)	36,178,533
Special Items/Extraordinary Items	-	(17,865,049)	(3,600,000)	-	(3,600,000)	(17,865,049)
Change in Net Position	(6,223,679)	7,126,336	(3,700,005)	11,187,148	(9,923,684)	18,313,484
Net position as of January 1-restated	1,180,979,102	1,178,274,747	221,484,699	210,297,551	1,402,463,801	1,388,572,298
Prior period adjustments	(798,144)	(3,635,000)	7,724,617	0	6,926,473	(3,635,000)
Net position as of December 31	$ 1,173,957,279	$ 1,181,766,083	$ 225,509,311	$ 221,484,699	$ 1,399,466,590	$ 1,403,250,782

Total revenues decreased $20.6 million in 2013 from 2012, with governmental activities decreasing $8.4 million and business-type activities decreasing $12.2 million. Approximately 44% (42% in 2012) of total revenues came from taxes. Grants and contributions amount to 22% (38% in 2012) and charges for services account for 31% (28% in 2012) of total revenues. Governmental activities provided $295.2 million in revenues (95%), while business-type activities provided $16.1 million (5%).

The County's expenses cover a range of services, the largest of which were for public safety, general government and transportation, accounting for 66%, combined. Health and human services account for 9% while the expenses of all other functional programs and interest expense, combined, account for 25%. Total expenses for the year were $317.6 million, up 7.4% from 2012. Governmental activities accounted for 95% of total County expenses. Governmental activity expenses increased $22.8 million in 2013 (over 2012), while business type activity expenses decreased $0.9 million.

Governmental activities - Governmental activity revenue decreased $8.4 million from 2012, while expenses increased $22.8 million. The 2013 change in net position was a decrease of $6.2 million.

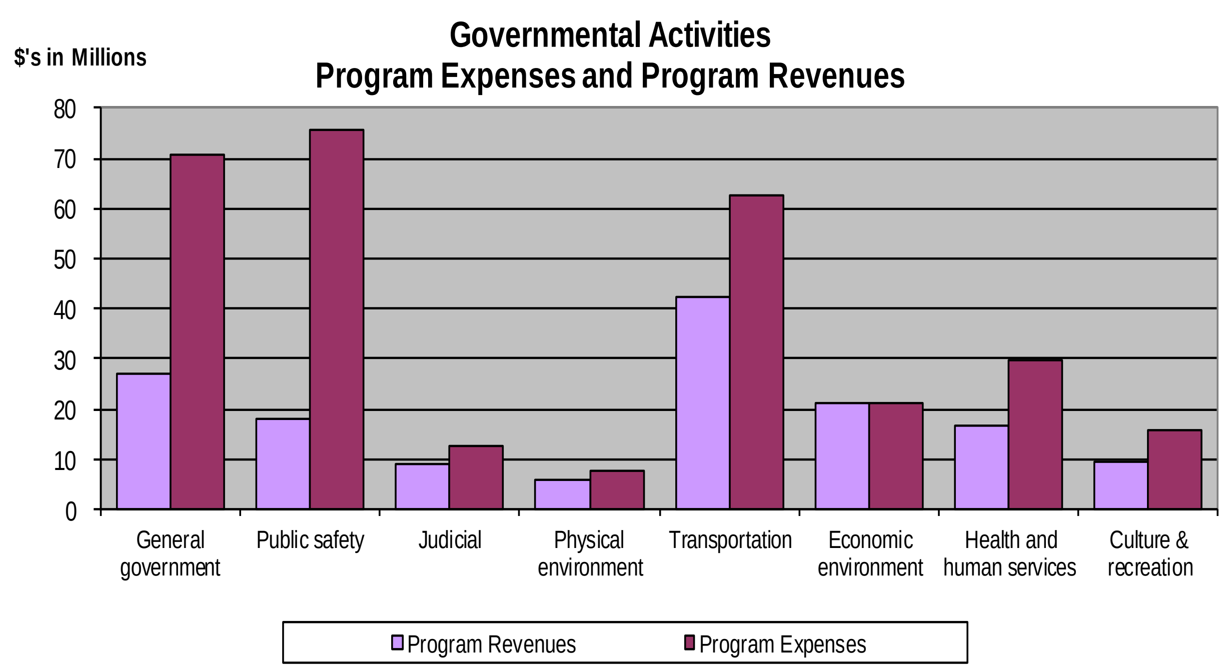
In 2013, developers contributed road and stormwater infrastructure and land valued at $11.8 million ($1.7 million was contributed in 2012), accounting for most of the $11.9 million increase in capital grant revenue. In 2013, health and human services operating grants decreased by $23.9 million, due to the 2012 spin-off of the mental health services to a newly formed Regional Support Network (RSN) government entity. The RSN receives state and federal grants that previously were received by the County's mental health programs. In addition, operating grants for public safety and judicial programs were down $10.2 million from 2012. This was due, in part, to intergovernmental revenue streams that were previously reported as grant revenue being reported as charges for services, beginning in 2013. This change in how we reported specific revenue streams also impacted the charges for services, accounting for of the $16.6 million increased revenues in that category. A $5.4 million increase in governmental and economic environment charges for services was partly due to a more active real estate market and construction environment in the County in 2013. Transportation charges for services increased by $4.4 million as services were provided to other entities and funds.

Governmental expenses increased $22.8 million in 2013. Transportation expense increased $23.7 million in 2013. The change is due to road infrastructure no longer being eligible for reporting under the modified approach, as a result of the County not meeting the requirement of completing road assessments within a three year cycle. As a result, depreciation was assessed against road infrastructure assets ($27 million) for the first time since the County adopted the modified approach in 2003. In addition, this change requires some road preservation costs, which were expensed under the modified approach, to be capitalized in 2013, resulting in less transportation expense.

General government expenses increased $18.3 million in 2013. This includes a $10.5 million court settlement, as well as $5.4 million in indigent defense costs that had been categorized as judicial costs in previous years (which also accounts for a $4.9 million decrease in judicial costs in 2013).

Health and human services expenditures decreased by $20.2 million in 2013, as a result of mental health services in Clark County being provided by the RSN, as discussed above. Physical environment costs increased by $3.5 million in 2013, of which $2.2 million is related to landfill liability expenditures. Economic environment expenses increased $3.3 million, which includes a $1.4 million expense for contributions of low income home loan services extended to non-profit entities.

The following graph illustrates the governmental activities program revenues and expenses by function for 2013.



Business-type activities – Business-type activity revenue decreased $12.2 million from 2012, while expenses decreased $0.9 million.

In 2012, sewer charges for services revenue increased by $12 million, as a result of Clark Regional Wastewater District making an early payment to relieve their obligation (through an inter-local agreement with the County) to pay the bond and loan debt for the County's sewer treatment plant. In 2013, revenues were more consistent with years prior to 2012.

The 2013 change in net position was a decrease of $3.7 million. Most of this decrease is a result of a $3.6 million judgment against the County for violation of the federal Clean Water Act, which is reported as a extraordinary item in 2013. Revenues, expenses, and changes in fund balance are explained in more depth in the **Proprietary Funds Analysis** section of this management's discussion and analysis.

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Clark County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a discussion of the financial highlights of the County's governmental and proprietary funds.

Governmental Funds Analysis

The focus of Clark County's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Unassigned fund balance serves as a useful measure of the County's net resources available for spending at the end of the fiscal year. The General Fund, County Road Fund and Community Services Grants Fund are the only major governmental funds in 2013.

Fund Balances

As of December 31, 2013, the County's governmental funds reported combined ending fund balances of $162.2 million (an increase from $154.4 million in 2012). Total governmental assets increased by $9.8 million, after eliminating interfund balances. Cash and investments increased $1.8 million and accounts receivable increased $3.1 million. Taxes receivable increased $6 million, due to an accrual of prior year tax revenue received in January and February of 2014 (this is the first time the County has accrued these revenue streams).

Since implementing GASB 65 in 2013, some items previously referred to as liabilities are now referred to as deferred inflows of resources. After eliminating interfund balances, total governmental liabilities and deferred inflows of resources, combined, are $46.3 million, compared to total liabilities (excluding interfund balances) of $44.4 million in 2012 (an increase of $1.9 million). The most significant change is an increase of $3.7 million in deposits payable, of which $2.9 million is the deposit held for CRESA in the Cad System Replacement Nonmajor Capital Project Fund that has been discussed previously in this management's discussion and analysis.

The **General Fund's** total fund balance increased $3.9 million, from $32.2 million in 2012 to $36.1 million in 2013, with unassigned balance of $24.2 million. General Fund assets increased by $3.2 million, with cash and investments and deposits increasing $2.1 million and taxes receivable increasing by $2.2 million (as a result of the tax revenue accrual referred to above). General Fund liabilities and deferred inflows of resources, combined, are $24.5 million at December 31, 2013, compared to total liabilities of $25.1 million in 2012 (an increase of $0.6 million).

The **County Road** major fund's total assets decreased $1.9 million in 2013, with accounts receivable and amounts due from other governments, combined, increasing $3.3 million and cash and investments decreasing $5.2 million. 2013 liabilities and deferred inflows of resources, combined, decreased $3.1 million over total liabilities for 2012. The biggest change is a $3.3 million decrease in vouchers payable from 2012 to 2013. Although fund balance decreased $1.2 million in 2013, the County Roads fund has a healthy fund balance, at $31 million at December 31, 2013.

The **Community Services Grant** major fund reported a $0.7 million decrease in fund balance at the end of 2013. Total assets decreased $0.5 million while total liabilities increased $0.2 million.

The nonmajor funds increased fund balance by $11.9 million. Total assets increased $17.1 million, after eliminating fund balance. Cash and investments increased $10.9 million. Taxes receivable increased $3.9 million, as a result of the tax accrual referred to previously in this document. Amounts due from other governments increased $1.6 million, due to outstanding grant receivables.

Total liabilities (combined with deferred inflows of resources in 2013) in the nonmajor funds increased $6.3 million in 2013, over 2012. Vouchers payable increased $2.9 million and deposits payable increased $3 million, as a result of the CRESA deposits that have been discussed previously in this section.

Approximately 68% of the governmental fund balance ($109.7 million) is non-spendable or restricted by constraints outside County Government. An additional 15% ($23.9 million) of fund balance is committed or assigned for specific purposes, such as technology improvements, housing, mental health, public safety programs, and compensated absences. The remaining 17% ($28.6 million) is available for spending at the County's discretion.

Revenues and Expenditures

Governmental fund revenues total $280.4 million for 2013, down from $296.4 million in 2012 (a $16 million decrease). As discussed previously in this management discussion and analysis, the County lost $23.9 million in mental health grant revenue to the RSN and some intergovernmental revenue streams that were previously reported as grant revenue are now reported as charges for services. These factors account for the $33.2 million decrease in intergovernmental revenues for 2013. The latter issue accounts for most of the $11.1 million increase in charges for services revenue. Licenses and permits revenue increased $2.5 million, as a result of a slight improvement in the building industry in 2013.

Governmental funds expenditures were $288.4 million in 2013, down 1.1% ($3.3 million) from 2012. Capital outlay was up $20.9 million, due to some large road projects in 2013. Operating expenditures were down $23.9 million in 2013, from 2012. Health and human services expenditures were down $20.8 million as a result of the majority of mental health services provided in the County being serviced by the RSN. Further discussion on revenues, expenditures and changes in fund balance is included in the following discussions of the major funds.

Major Fund Discussions

The **General Fund** is the chief operating fund for the County. General Fund revenues increased $1.3 million from 2012 to 2013, while expenditures increased $12.0 million during the same period. Intergovernmental revenues decreased $11.6 million, while charges for services increased $10.2 million. This shift is caused by reclassifying most non-grant intergovernmental revenues to charges for services, beginning in 2013. Grant revenues continue to decline slightly due to the current economic environment. Tax revenues declined $2.7 million in 2013, while interest earnings increased $3.5 million, due partly to more cash and investments on hand during the year, and partly to a slight increase in interest rates in 2013.

General government expenditures increased $16.3 million, judicial expenditures decreased $5.4 million and public safety expenditures increased $2.1 million, while changes in the other functional areas varied from 2012 in lesser degrees. The General Fund incurred a general government expenditure of $11.7 million for a court claim settlement and associated legal fees in 2013. In 2013 indigent defense expenditures were reclassified from a judicial function in 2012 to a general government function in 2013, accounting for a $5.1 million decrease in judicial expenditures and a $5.1 million increase in general government expenditures in 2013. The increase in public safety expenditures in 2013 was in the area of sheriff enforcement activities.

County Road Fund, a major special revenue fund, is used to account for the maintenance and operations of the public roads and bridges of the County. At the end of the current fiscal year, total fund balance increased from $29.8 million to $30.9 million. Operating expenditures exceeded operating revenue by $5.5 million in 2013. The fund received $6.5 million from other financing sources, including $4.5 million in Public Works Trust Fund Loans for road construction projects.

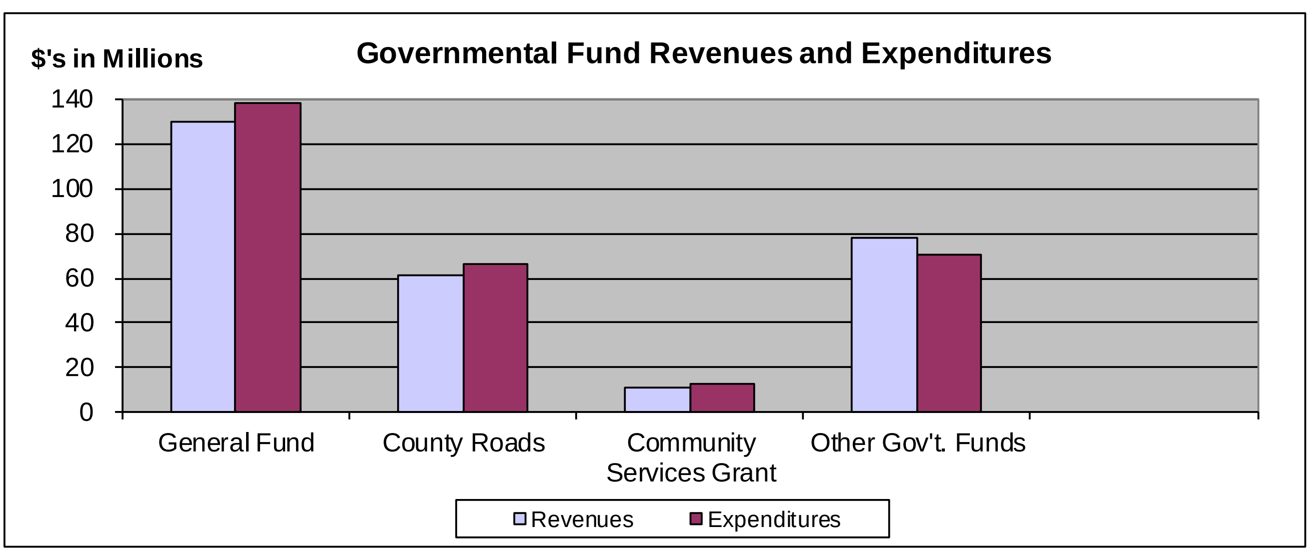
Total revenue increased $5.6 million from 2012. Grant revenues (intergovernmental) increased $2.1 million in 2013 and charges for services revenues (most for reimbursable work for other funds or other government entities) increased $3.4 million.

Road Fund operating expenditures decreased $16.0 million from 2012, while capital outlay for road construction increased $23.2 million. In 2003, Clark County elected to use the modified approach in reporting roads infrastructure. Under the modified approach, most preservation costs are required to be classified as expenditures, rather than capital costs. In 2012 the County did not complete a three year assessment cycle for county roads, as required under Government Accounting Standards Board Statement No. 34 (GASB #34). Since the County failed to meet the requirements of GASB #34 for roads, road infrastructure is no longer reported using the modified approach and most preservation costs are now capitalized. This caused the big shift from operating expenditures to capital outlay.
The timing of capital road projects will vary from year to year and are tied to government grants and loans available, the timing of State projects that tie to County roads, and the time required for planning, engineering and permitting of specific projects.

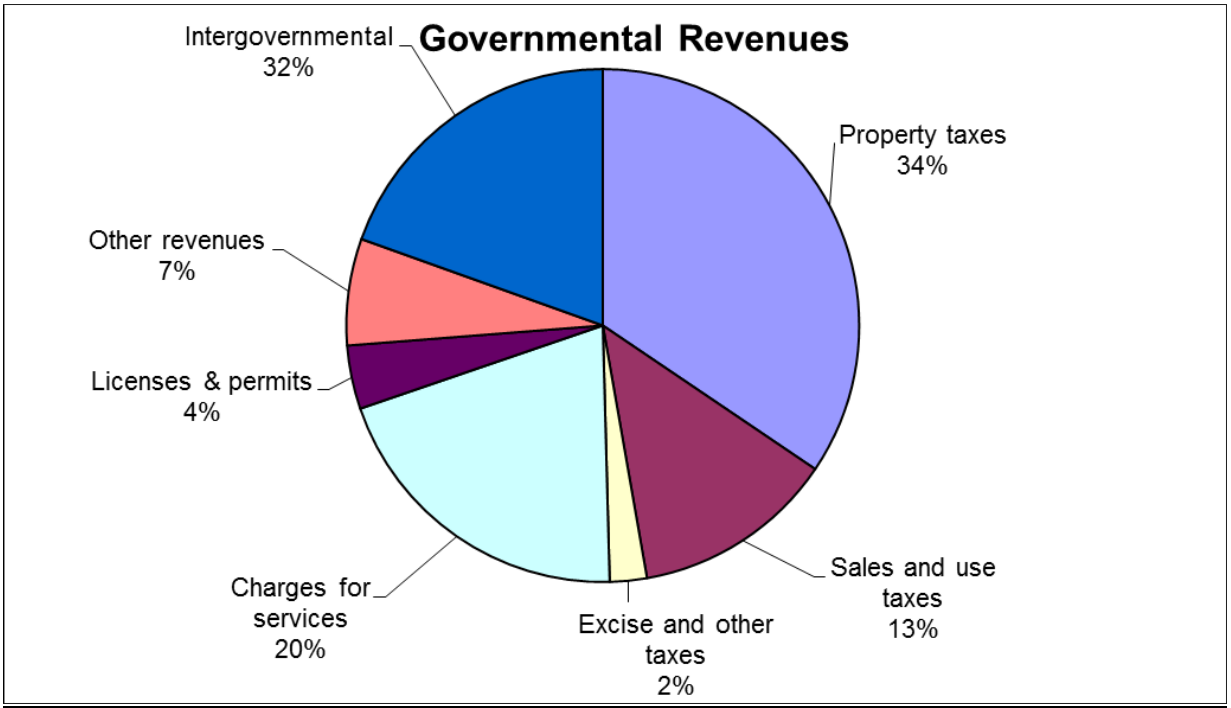
Community Services Grants Fund is a major special revenue fund that receives the majority of its funding through state and federal grants for various housing, weatherization, and youth programs. Ending fund balance decreased from $21.9 million in 2012 to $21.2 million in 2013. Revenues increased slightly from $10.3 million to $10.7 million, while expenditures increased from $10.9 million to $12.5 million. A $1.4 million expense for contributions of low income home loan services extended to non-profit entities accounted for the increase.

Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the year ended December 31, 2013 for the three major governmental funds and for all other governmental funds, combined. Revenues do not include interfund transfers or proceeds from debt or the sale of assets.



The following chart shows total governmental revenues and the percentage total for each type of revenue for the year ended December 31, 2013.



Proprietary Funds Analysis

The County's enterprise fund financial statements provide the same type of information found in the government-wide financial statements for business-type activities, although in more detail. Internal service funds, although proprietary, are not included in the following section.

Clark County has four enterprise funds, two of which (Sanitary Sewer and Clean Water) are considered major funds. In 2013 the Tri-Mountain Golf Course O&M Fund was reclassified from a non-major special revenue fund to a non-major enterprise fund. In 2013, the change in net position due to operations, contributions and interfund transfers for the enterprise funds was a decrease of $3.7 million. The following table reflects the "*Enterprise Funds Statement of Net Position"* for the year ending December 31, 2013, compared to the prior year.

Clark County Washington

Enterprise Funds - Statement of Net Position

	Major				Non-Major			
	Sanitary Sewer		Clean Water				Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Total current assets	$ 2,782,842	$ 2,497,637	$ 1,392,953	$ 2,569,947	$ 2,705,758	$ 2,582,812	$ 6,881,553	$ 7,650,396
Total noncurrent assets	123,195,368	126,098,838	93,046,319	90,500,075	8,506,057	640,826	224,747,744	217,239,739
Total assets	125,978,210	128,596,475	94,439,272	93,070,022	11,211,815	3,223,638	231,629,297	224,890,135
Total current liabilities	248,137	417,708	1,777,107	1,859,672	246,577	603,665	2,271,821	2,881,045
Total noncurrent liabilities	167,531	90,246	3,503,244	416,851	177,390	17,294	3,848,165	524,391
Total liabilities	415,668	507,954	5,280,351	2,276,523	423,967	620,959	6,119,986	3,405,436
Total net position	$ 125,562,542	$ 128,088,521	$ 89,158,921	$ 90,793,499	$ 10,787,848	$ 2,602,679	$ 225,509,311	$ 221,484,699

Total net position for enterprise funds increased $4.0 million in 2013. Assets increased $6.7 million, with the main contributor being $7.9 million added by the reclassification of the Tri-Mountain Golf Course O&M non-major fund (which was previously reported as a non-major special revenue fund). Liabilities increased by $2.7 million. The golf course fund added only $88,027 in total liabilities. The bulk of the change in total liabilities happened within major funds.

The **Sanitary Sewer Fund** accounts for operations, maintenance, and capital improvements of the County's waste water facilities and sewer lines. Total net position of the sewer fund decreased $2.5 million in 2013. Total assets decreased $2.6 million, as a result of annual depreciation expense ($2.9 million) increasing capital asset accumulated depreciation. Of the total net position, $123.2 million is invested in capital assets and $2.4 million is unrestricted and available for spending.

The **Clean Water Fund** accounts for the operations, maintenance, and capital improvements of the County's storm water pollution control facilities. Total net position in the Clean Water Fund is $89.2 million at the end of 2013, a decrease of $1.6 million. Capital assets increased $2.5 million, with the addition of new stormwater facilities, while current assets decreased $1.2 million. Noncurrent liabilities increased $3.0 million, due to a $3.6 million settlement for stormwater violations. You will find further discussion on this settlement in note # 27.B. of the *Notes to the Financial Statements.* The Clean Water Fund has a negative unrestricted fund balance (resources available for discretionary spending) of $3.9 million, due mainly to the violation settlement. The County is currently considering options for raising clean water rates, and/or establishing additional fees, in order to cover this obligation over the next several years.

Enterprise Funds Revenue and Expense Analysis

The following table reflects the enterprise funds revenues and expenses for the year ending December 31, 2013, compared to the prior year.

Clark County Washington

Enterprise Funds - Revenues and Expenses

	Major				Non-Major			
	Sanitary Sewer		Clean Water				Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Total operating revenues	$ 4,069,966	$ 19,213,164	$ 5,145,229	$ 5,189,980	$ 3,747,926	$ 2,255,946	$ 12,963,121	$ 26,659,090
Total operating expenses	6,522,202	6,513,959	5,520,482	5,579,751	4,120,015	3,212,791	16,162,699	15,306,501
Operating income (loss)	(2,452,236)	12,699,205	(375,253)	(389,771)	(372,089)	(956,845)	(3,199,578)	11,352,589
Total non-operating revenues(expenses)	6,983	(1,683,770)	731,281	440,031	648,650	799,562	1,386,914	(444,177)
Income (loss) before contributions and transfers	(2,445,253)	11,015,435	356,028	50,260	276,561	(157,283.00)	(1,812,664)	10,908,412
Capital contribution	-	-	1,712,659	268,756	-	9,980	1,712,659	278,736
Extraordinary Item	-	-	(3,600,000)	-	-	-	(3,600,000)	-
Transfers, net	-	-	(180,410)	(274,668)	180,410	274,668	-	-
Change in net position	(2,445,253)	11,015,435	(1,711,723)	44,348	456,971	127,365	(3,700,005)	11,187,148
Net position, January 1	128,088,521	117,073,086	90,793,499	90,749,151	2,602,679	2,475,314	221,484,699	210,297,551
Prior year adjustments	(80,726)	-	77,145	-	7,728,198	-	7,724,617	-
Net position, December 3:	$ 125,562,542	$ 128,088,521	$ 89,158,921	$ 90,793,499	$ 10,787,848	$ 2,602,679	$ 225,509,311	$ 221,484,699

The **Sanitary Sewer** Fund total operating revenues for 2013 were $4.1 million (compared to $19.2 million in 2012), while operating expenses were $6.5 million (no change from 2012). In 2012, Clark

Regional Wastewater District paid in full their obligation to the County for debt service payments, which totaled $15.7 million. In 2013, revenues were more consistent with years prior to 2012.

The **Clean Water** Fund total operating revenues for 2013 were $5.1 million ($5.2 million in 2012). Operating expenses were $5.5 million, compared to $5.6 million in 2012 (a decrease of $0.1 million).

Non-major enterprise fund operating revenues increased $1.5 million and expenses increased $0.9 million. The golf course fund, added as a non-major enterprise fund in 2013, added $1.5 million in operating revenues and $1.4 million in operating expenses.

GENERAL FUND BUDGETARY HIGHLIGHTS

Analysis of Original versus Final 2012/2013 Budget

The County adopts a biennial budget which is amended during the budget years by supplemental appropriation resolutions. General Fund final budgeted revenues decreased less than 1% from the original budget and expenditures increased 4% from the original budget. The following table shows the changes between the original and the final biennial General Fund budget, and the variances between the final budget and the actual revenues and expenditures.

Clark County Washington

General Fund Budgeted Revenues and Expenditures
For the Year

	Original 2013-2014 **Budget**	Final 2013-2014 **Budget**	Change Positive / (Negative)	**Actual** Biennium-To-Date	Variance Positive / (Negative)	Percentage of Actual to Final Budget
Revenues:						
Taxes	$ 155,009,799	$ 147,908,171	$ (7,101,628)	$ 74,410,558	$ (73,497,613)	50%
Intergovernmental	44,160,035	23,378,601	$ (20,781,434)	11,892,801	(11,485,800)	51%
Charges for services	45,157,243	65,637,435	$ 20,480,192	31,524,438	(34,112,997)	48%
Other revenues	17,672,249	23,833,348	$ 6,161,099	12,603,938	(11,229,410)	53%
Total revenues	261,999,326	260,757,555	$ (1,241,771)	130,431,735	(130,325,820)	50%
Expenditures						
General government	91,562,520	100,177,458	(8,614,938)	51,685,989	48,491,469	52%
Public safety	131,667,652	133,064,876	(1,397,224)	66,623,279	66,441,597	50%
Judicial	22,492,300	22,981,360	(489,060)	11,331,320	11,650,040	49%
All other expenditures	22,474,765	22,370,087	104,678	9,214,388	13,155,699	41%
Total expenditures	268,197,237	278,593,781	(10,396,544)	138,854,976	139,738,805	50%
Excess (deficiency) of revenues over expenditures	(6,197,911)	(17,836,226)	(11,638,315)	(8,423,241)	9,412,985	47%
Other financing sources	1,912,750	11,425,861	9,513,111	10,883,108	(542,753)	95%
Interfund transfers	(1,937,829)	(12,996,439)	(11,058,610)	(1,915,725)	11,080,714	15%
Net change in fund balance	(6,222,990)	(19,406,804)	(13,183,814)	544,142	19,950,946	-3%
Fund Balance as of January 1	12,620,028	6,039,814	(6,580,214)	35,557,857	29,518,043	589%
Fund balance as of December 31	$ 6,397,038	$ (13,366,990)	$ (19,764,028)	$ 36,101,999	$ 49,468,989	-270%

Final budgeted revenues decreased $1.2 million, with tax revenues decreasing $7.1 million and other revenues increasing $6.2 million, based on mid-year revenue history and revised detailed revenue forecasting. The changes in intergovernmental revenues and charges for services (which closely offset each other) is a result of the BARS restructuring and the resulting reclassifying of certain revenues from other funds and other government entities. This has been discussed previously, with a summarization of the project and its implications discussed in the second bullet point in the **FINANCIAL HIGHLIGHTS** section at the beginning of this discussion and analysis.

Final budgeted expenditures increased by $10.4 million from the original budget. General Government had the largest increase ($8.6 million). The net increase in general government includes a budget adjustment for the $10.5 million judgment paid by the General Fund that has been referred to elsewhere in this discussion and analysis. The $9.5 million increase in other financing sources is the offsetting revenue, as the judgment was funded by a bond.

The $1.4 million increase in the public safety expense budget is mostly related to grant related expenditures for grants that were accepted within the Sheriff's Department after the original budget was adopted.

A transfer out budget increase of $10 million was offset by budgeted contingency funds as an emergency measure to be able to make unexpected payments.

General Fund Budget to Actual Comparison

Both total actual revenues and total actual expenditures are at 50% of the final biennial budget. This is the first year of the biennial budget, indicating that the County is on track at the end of 2013. Other financing sources are at 95% and the County does not currently have any plans for any other major financing in the biennium. Interfund transfers are at 15% of budget since none of the emergency transfer funds referred to above have been realized as of the end of 2013.

Charges for services revenue are running a little behind the half way mark for the biennium. Indicators show the local economy and construction activity improving slightly, and on a consistent level, leading the County to anticipate that charges for services in 2014 will slightly surpass the 2013 level. Other revenues (including interest earnings and licensing/permitting revenues) are running slightly ahead of budget.

General government, public safety, and judicial expenditures make up 91% of actual expenditures. The budget to actual percentage in each of these functions ranges from 49% to 52% of budget spent, which is in line with the first half of a biennial budget. All other expenditures, combined, are running $2 million under one half of the biennial budget.

CAPITAL ASSET, INFRASTRUCTURE, AND DEBT ADMINISTRATION

Capital Assets

Total capital asset value as of December 31, 2013 is $1.4 billion (original cost, net of accumulated depreciation). Capital assets include land, buildings, system improvements, machinery and equipment, park facilities, road and bridge infrastructure, storm water facilities, trails, and construction in progress. Of this amount, 57% is from infrastructure such as roads, bridges, sewer lines, and storm water facilities, and land makes up 24% of the County's capital assets. Major capital asset events during the current fiscal year included the following:

- A variety of construction projects were ongoing during the year. The County spent $32 million in 2013 on road and stormwater project capital assets.

- Vehicles, road equipment, and trailers were added to the fleet as either replacements or new equipment, at a cost of $2.2 million. Fleet equipment with an original cost of $1.7 million and a net depreciated value of $182,741 was disposed of.

- Residential and commercial roads and right of way contributed by developers in 2013, at a value of $10 million, were added to capital assets. Stormwater land and facilities valued at $1.8 million were contributed by developers in 2013.

Infrastructure

In 2003, Clark County elected to use the modified approach in reporting certain categories of infrastructure. Under the modified approach, asset condition is reported, based on a rating system, rather than recording depreciation. Currently bridges and storm water facilities are reported using the modified approach and rating scales for these assets are further explained in the required supplementary information section of this report.

Most of the County's bridges were built prior to 1980, and are not included in the listing of capital asset infrastructure, in accordance with reporting requirements. However, all County bridges are monitored and assessed. The County has employed detailed State mandated evaluation methodologies for several years in managing the bridge network, and the ratings are sent to the State of Washington and are incorporated in a state-wide bridge inspection database. Maintenance activities are budgeted at sufficient levels to maintain the bridge condition to a level at or above the established standard. The County spent $48,177, or approximately 51% of the annual budget for bridge maintenance in 2013. Bridge maintenance is performed in conjunction with Road maintenance.

The County's stormwater facilities are fairly recent additions to infrastructure assets, with more than 95% of the total system being added since 1996. Stormwater facilities consist mainly of holding ponds, and are commonly earthen in construction with no moving parts or non-earthen structural layers. Some facilities include some rugged construction, generally consisting of cinderblock retention walls. Stormwater facilities are intended to collect and treat stormwater prior to infiltration or entering the existing storm system and waterways. There is very little maintenance or preservation activity required for this subsystem, when compared to the investment in the subsystem. The County spent $331,273 for stormwater maintenance in 2013, or 94.65% of the annual budget of $350,000.

The following table shows the value of infrastructure assets reported under the modified approach and their three most recent condition assessments compared to the County's established condition level.

Infrastructure Assets Using the Modified Approach
Condition Assessment as of December 31, 2013

	Historical Cost	***Accum. Depreciation as of 12/31/03***	***Net Cost***	***Average Assessment Value ****			***Established Condition Level***
				2008	***2011***	***2012***	
Storm water Subsystem	63,726,460	4,053,089	59,673,371	86	86	86	70
				2010*	***2011****	***2012****	
Bridges Subsystem	31,248,840	281,412	30,967,428	75	73	75	50
Total	94,975,300	4,334,501	90,640,799				

*Although the County has only recorded infrastructure constructed after 1980 on the capital asset listing, all county stormwater facilities and bridges are assessed, regardless of when they were constructed.

**Bridge system assessment values are restated for 2010, 2011 & 2012

Both of the infrastructure categories in the table above had an average assessed value well above the established condition level for each of the completed assessment cycles. Additional information on Clark County's capital assets can be found in note 6 of the *Notes to Financial Statements.*

Debt Administration

At December 31, 2013, Clark County had total bonded debt outstanding of $112.7 million (compared to $108.9 million at December 31, 2012). All bonded debt is held in governmental activities and is backed by the full faith and credit of the County. During 2013 the County incurred a new issue of $10 million, used to pay a legal judgment and retired $6.2 million in bonded debt. The County maintains a Moody's Aa2 rating for its limited tax general obligation debt. Additional information on the County's long-term debt can be found in notes 11 and 12 of the *Notes to Financial Statements.*

ECONOMIC OUTLOOK

Economic factors have a direct impact on County revenues and the demand for services. During 2009, the County's financial condition began to stabilize, after experiencing a significant downturn in 2008. This stabilization process has continued to slowly improve since 2009.
Real estate excise tax (REET) is generated from the sale of real property. These funds primarily support park improvements and debt service. As the result of increased home sales in 2013, excise tax revenue in the REET funds increased by approximately $1.8 million in 2013. This follows a $0.7 million increase in 2012 and is only the second increase in REET tax, from one year to the next, since 2007.

The County's main revenue sources include taxes, charges for service and intergovernmental (grant) revenues. Property taxes make-up 31% of total 2013 County revenues. Even though property taxes tend to be stable, State and voter approved limitations to property taxes have kept the property tax increases to 1% each year, plus any new construction. The 1% increase has not been taken by the Road Fund for their portion since 2011. The General Fund did not take any increase for their portion of the 1% in 2013. Sales and use tax revenues are another significant revenue source for the County (11.5% of total revenues). Retail sales in Clark County, which are heavily, impacted by construction activity, increased by 7.4% in 2013, over 2012. County sales tax revenue increased by $7.1 million from 2012. Government-wide grants and contributions accounted for 22% of total revenues in 2013. Grant revenue was down in 2013, but mostly due to the transferred responsibility of mental health services to the RSN and the reclassification of some intergovernmental revenues. (These two items have been previously noted throughout this discussion and analysis.) Considering the financial crisis that the State and Federal government are continuing to experience, grant funding may decline in the near future.

The County experienced unprecedented growth in building construction activities and population growth in 2001-2005. Since then indicators have declined, as have revenues associated with construction activity. The Department of Community Development (DCD) underwent a significant reorganization to improve efficiency and reduce costs in 2009. Residential building permits increased from 577 in 2012 to 910 in 2013, a 58% increase. Commercial building permits increased from 281 to 306 (9% increase) during that same period.

Other factors impacting the economic condition are: The annual inflation rate decreased slightly, from 1.7% in December 2012 to 1.5% in December 2013. The Clark County unemployment rate increased slightly, from 8.5% in December 2012 to 8.7% in December 2013.

Requests for Information

This financial report is designed to provide a general overview of Clark County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's Office, Clark County, 1300 Franklin Street, P.O. Box 5000, Vancouver, WA, 98666-5000.

CLARK COUNTY, WASHINGTON
Statement of Net Postion
December 31, 2013

	Primary Government			Component Unit
ASSETS	Governmental Activities	Business-type Activities	Total Primary Government	Clark County Public Facilities District
Cash, cash equivalents & pooled investments	$ 153,787,575	$ 5,666,558	$ 159,454,133	$ 114,317
Investments	1,547,338	-	1,547,338	-
Net Receivables	44,999,855	1,132,067	46,131,922	154,198
Internal balances	75,440	(75,440)	-	-
Inventories	2,294,465	-	2,294,465	-
Prepaids	1,376,734	797	1,377,531	-
Notes receivable	14,115,284	-	14,115,284	6,266,616
Net OPEB obligation (asset)	609,149	-	609,149	-
Restricted assets: in safekeeping	6,658,064	-	6,658,064	-
Equity interest in joint venture	3,868,826	-	3,868,826	-
Capital assets not being depreciated:				
Land, infrastructure and construction in progress	365,201,098	103,859,985	469,061,083	-
Capital assets net of accumulated depreciation	792,090,123	120,887,759	912,977,882	-
Total assets	1,386,623,951	231,471,726	1,618,095,677	6,535,131
DEFFERED OUTFLOWS OF RESOURCES				
Deferred Charge on Refunding	6,183,031	-	6,183,031	-
Total deferred ouflows of resources	$ 6,183,031	$ -	$ 6,183,031	$ -
LIABILITIES				
Accounts payable and other current liabilities	$ 17,154,789	$ 1,097,268	$ 18,252,057	$ 3,618
Accrued liabilities	7,264,208	326,720	7,590,928	219,929
Deposits payable	6,018,271	-	6,018,271	-
Claims and judgements payable	207,401	3,600,000	3,807,401	-
Due to other governments	690,067	31	690,098	-
Unearned revenue	9,101,579	116,530	9,218,109	-
Advance due to other governments	990,327		990,327	-
Long term liabilities:				
Other due within one year	13,246,376	29,423	13,275,799	-
Other due in more than one year	164,176,685	792,443	164,969,128	-
Total liabilities	218,849,703	5,962,415	224,812,118	223,547
NET POSITION				
Net investment in capital assets	1,032,768,522	224,747,744	1,257,516,266	-
Restricted for:				
Capital projects	12,818,642	-	12,818,642	-
Culture and recreation	14,786,013	-	14,786,013	6,311,584
Landfill remediation	1,987,625	-	1,987,625	-
Economic environment	25,647,655	-	25,647,655	-
Law and justice	1,795,748	-	1,795,748	-
Debt service- debt covenants	22,476	-	22,476	-
Transportation	30,555,763	-	30,555,763	-
Health and human services	10,161,339	-	10,161,339	-
General governmental	3,775,978	-	3,775,978	-
Workers Compensation Claims	150,000	-	150,000	-
Unrestricted	39,487,518	761,567	40,249,085	-
Total net position	$ 1,173,957,279	$ 225,509,311	$ 1,399,466,590	$ 6,311,584

See accompanying notes to the financial statements

CLARK COUNTY, WASHINGTON
Statement of Activities
For the Year Ended December 31, 2013

			Program Revenues			Net (Expense) Revenue and Changes in Net Position Primary Government			Component Unit
Functions/Programs	**Expenses**	**Indirect Expense Allocation**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Clark County Public Facilities District**
Primary Government:									
Governmental activities:									
General government	$ 74,605,487	$ (4,121,851)	$ 20,620,719	$ 6,145,734	$ 203,526	$ (43,513,657)	$ -	$ (43,513,657)	$ -
Public safety	75,602,827	68,016	13,288,789	4,408,142	519,524	(57,454,388)	-	(57,454,388)	-
Judicial	12,551,160	-	7,880,653	1,170,724	129,359	(3,370,424)	-	(3,370,424)	-
Physical environment	7,170,885	290,047	5,214,862	358,304	145,401	(1,742,365)	-	(1,742,365)	-
Transportation	61,127,247	1,614,418	12,265,379	-	30,180,907	(20,295,379)	-	(20,295,379)	-
Economic environment	20,652,385	604,408	14,463,729	6,563,356	355,860	126,152	-	126,152	-
Health and human services	28,744,042	987,798	4,169,436	12,391,744	-	(13,170,660)	-	(13,170,660)	-
Culture and recreation	15,555,485	-	6,330,792	1,590,189	1,507,919	(6,126,585)	-	(6,126,585)	-
Interest on long term debt	5,949,954	-	-	-	-	(5,949,954)	-	(5,949,954)	-
Total governmental activities	301,959,472	(557,164)	84,234,359	32,628,193	33,042,496	(151,497,260)	-	(151,497,260)	-
Business-type activities:									
Solid waste	2,573,254	188,240	2,321,546	619,275	-	-	179,327	179,327	-
Golf Course	1,364,596	-	1,457,060	-	-	-	92,464	92,464	-
Water	5,356,521	202,182	5,145,229	714,919	1,712,659	-	2,014,104	2,014,104	-
Sewer	6,355,460	166,742	4,070,562	-	-	-	(2,451,640)	(2,451,640)	-
Total business-type activities	15,649,831	557,164	12,994,397	1,334,194	1,712,659	-	(165,745)	(165,745)	-
Total primary government	$ 317,609,303	$ 0	$ 97,228,756	$ 33,962,387	$ 34,755,155	$ (151,497,260)	$ (165,745)	$ (151,663,005)	-
Component Unit									
Public Facilities District	1,188,693	-	-	803,135	-				(385,558)
Total Component Unit	$ 1,188,693	$ -	$ -	$ 803,135	$ -				$ (385,558)
General revenues:									
Property taxes						94,942,604	-	94,942,604	-
Sales taxes						35,836,185	-	35,836,185	827,975
Excise and other taxes						6,539,254	-	6,539,254	-
Claims and judgments						-	30,276	30,276	-
Grants and contribution not restricted to specific programs						-	-	-	-
Interest and investment earnings						4,456,075	35,464	4,491,539	303,875
Gain on sale of capital assets						3,499,463	-	3,499,463	-
Extraordinary items:									
Settlement for violation of the federal Clean Water Act						-	(3,600,000)	(3,600,000)	-
Total general revenues						145,273,581	(3,534,260)	141,739,321	1,131,850
Change in net position						(6,223,679)	(3,700,005)	(9,923,684)	746,292
Net Position as of January 1 - restated for change in accounting principal						1,180,979,102	221,484,699	1,402,463,801	5,431,423
Prior period adjustment						(798,144)	7,724,617	6,926,473	133,869
Net position as of January 1 - restated						1,180,180,958	229,209,316	1,409,390,274	5,565,292
Net position as of December 31						$ 1,173,957,279	$ 225,509,311	$ 1,399,466,590	$ 6,311,584

Clark County Washington
Balance Sheet
Governmental Funds
December 31, 2013

	General Fund	County Roads (Special Revenue Major Funds)	Community Services Grants (Special Revenue Major Funds)	Other Governmental Funds	Total
Assets					
Cash, cash equivalents and pooled investments	$ 34,135,666	$ 28,385,657	$ 8,128,112	$ 69,370,360	$ 140,019,795
Deposit in trust	2,060,913	-	-	-	2,060,913
Taxes receivable	4,542,224	1,168,507	-	4,187,763	9,898,494
Special assessments receivable	-	-	-	18,515	18,515
Interest and penalties receivable	5,147,720	-	-	-	5,147,720
Accounts receivable	11,419,808	4,729,652	249,617	1,149,680	17,548,757
Due from other funds	1,249,890	80,290	78,128	2,276,115	3,684,423
Due from other governments	1,091,550	4,815,015	843,658	4,555,767	11,305,990
Prepaid expenditure	187,182	-	470	323,135	510,787
Investments	50,000	-	-	1,497,338	1,547,338
Advance due from other funds	55,722	-	-	3,000,000	3,055,722
Notes/contract receivable	626,586	32,489	12,819,097	637,112	14,115,284
Assets in safekeeping	-	-	-	6,658,064	6,658,064
Total assets	$ 60,567,261	$ 39,211,610	$ 22,119,082	$ 93,673,849	$ 215,571,802
Liabilities, deferred inflows of resources, and fund balance					
Liabilities					
Warrants and anticipation notes payable	$ -	$ -	$ -	$ 431,956	$ 431,956
Vouchers payable	2,856,002	4,029,274	771,263	7,384,059	15,040,598
Due to other funds	1,311,919	481,106	114	2,287,281	4,080,420
Due to other governments	17,704	168,219	67	471,639	657,629
Claims and judgements payable	207,401	-	-	-	207,401
Accrued liabilities	4,456,781	765,787	109,269	704,902	6,036,739
Deposits payable	2,296,481	345,891	-	3,375,899	6,018,271
Revenues collected in advance	155,841	1,431,778	-	952,272	2,539,891
Advance due to other funds	-	-	-	3,000,000	3,000,000
Advance due to other governments	-	-	-	990,327	990,327
Total liabilities	11,302,129	7,222,055	880,713	19,598,335	39,003,232
Deferred Inflows of Resources					
Unavailable revenue-property taxes	6,752,988	1,000,819	-	183,557	7,937,364
Unavailable revenue-special assesssments	-	-	-	18,515	18,515
Unavailable revenue-court	6,410,145	-	-	-	6,410,145
Total deferred inflows of resources	13,163,133	1,000,819	-	202,072	14,366,024
Fund Balance					
Nonspendable	813,768	32,489	12,819,567	323,135	13,988,959
Restricted	-	30,523,274	8,293,004	56,938,117	95,754,395
Committed	-	-	-	7,007,307	7,007,307
Assigned	6,516,647	432,973	125,798	9,804,588	16,880,006
Unassigned	28,771,584	-	-	(199,705)	28,571,879
Total fund balance	36,101,999	30,988,736	21,238,369	73,873,442	$ 162,202,546
Total liabilities, deferred inflows of resources, and fund balance	$ 60,567,261	$ 39,211,610	$ 22,119,082	$ 93,673,849	

See accompanying notes to the financial statements

CLARK COUNTY, WASHINGTON
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2013

Total fund balances as shown on the Governmental Funds Balance Sheet:	$ 162,202,546
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. This amount reflects the initial investment in capital assets, net of depreciation. (This amount does not include internal service funds.)	1,144,297,808
Investment in Joint Venture	3,868,826
Other Post Employment Benefits (OPEB) assets and liabilities for future periods are not included in the fund statements, but are accrued in the government-wide statements. This amount represents the excess of OPEB contributions that are over and above the OPEB liabilities at year end.	609,149
Unavailable inflows of revenue are deferred in the fund statements, but are reported as current year revenues in the statement of net position.	14,366,024
Internal service funds are used to charge the costs of services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	18,162,804
Accrued liabilities that are not due and payable in the current period are not reported in the funds, however, they are recorded in the statement of net position.	(7,414,688)
Long-term liabilities that are not due and payable in the current period are not reported in the funds, however, they are recorded in the statement of net position. (This amount does not include internal service fund long-term liabilities.)	(162,135,190)
Total net position as reflected on the Statement of Net Position:	$ 1,173,957,279

See accompanying notes to the financial statements

Clark County Washington

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2013

	General Fund	Special Revenue Major Funds: County Roads	Special Revenue Major Funds: Community Services Grants	Other Governmental Funds	Total
Revenues:					
Property taxes	$ 59,907,268	$ 31,440,010	$ -	$ 5,284,326	$ 96,631,604
Sales and use taxes	13,861,615	-	-	21,974,570	35,836,185
Excise and other taxes	641,675	220,281	-	5,677,298	6,539,254
Licenses & permits	2,706,189	328,680	62,100	8,133,127	11,230,096
Intergovernmental	11,892,801	19,649,936	6,553,406	16,663,344	54,759,487
Charges for services	31,524,438	9,450,922	3,594,765	12,012,001	56,582,126
Fines & forfeitures	5,301,524	-	-	161,784	5,463,308
Interest earnings	4,058,639	91,222	96,592	180,329	4,426,782
Donations	595	-	-	138,548	139,143
Other revenues	536,991	51,162	397,584	7,819,258	8,804,995
Total revenues	130,431,735	61,232,213	10,704,447	78,044,585	280,412,980
Expenditures:					
Current:					
General government	51,685,989	-	-	1,241,444	52,927,433
Public safety	66,566,996	1,447	-	8,145,769	74,714,212
Judicial	11,324,490	-	-	564,281	11,888,771
Physical environment	4,380,969	-	-	799,728	5,180,697
Transportation	80,821	28,954,467	-	-	29,035,288
Economic environment	2,526,120	1,220,561	12,490,882	4,893,359	21,130,922
Health and human services	-	-	-	27,960,997	27,960,997
Culture & recreation	1,716,495	-	-	9,477,622	11,194,117
Capital outlay:					
General government	-	-	-	1,373,902	1,373,902
Public safety	56,283	-	-	28,915	85,198
Judicial	6,830	-	-		6,830
Physical environment	23,848	-			23,848
Transportation	486,135	36,539,505	-	208,084	37,233,724
Economic environment	-	-	-	78,509	78,509
Culture & recreation	-	-	-	2,154,312	2,154,312
Debt service:					
Principal	-	-	-	8,095,944	8,095,944
Interest and other charges	-	-	69	5,337,224	5,337,293
Total expenditures	138,854,976	66,715,980	12,490,951	70,360,090	288,421,997
Excess (deficiency) of revenues over (under) expenditures	(8,423,241)	(5,483,767)	(1,786,504)	7,684,495	(8,009,017)
Other Financing Sources (Uses):					
Issuance of long term debt	10,000,000	4,548,792	-	-	14,548,792
Sale of capital assets	883,108	945,268	-	1,741,528	3,569,904
Insurance recoveries	-	-	-	8,321	8,321
Transfers in	12,289,997	2,798,933	1,364,784	26,980,847	43,434,561
Transfers out	(14,205,722)	(1,785,016)	(245,869)	(35,893,629)	(52,130,236)
Total other financing sources (uses)	8,967,383	6,507,977	1,118,915	(7,162,933)	9,431,342
Net change in fund balances	544,142	1,024,210	(667,589)	521,562	1,422,325
Fund balance as of January 1	32,235,037	29,805,906	21,905,958	70,410,269	154,357,170
Prior period adjustment	3,322,820	158,620	-	2,941,611	6,423,051
Fund balance as of January 1 - restated	35,557,857	29,964,526	21,905,958	73,351,880	160,780,221
Fund balance as of December 31	$ 36,101,999	$ 30,988,736	$ 21,238,369	$ 73,873,442	$ 162,202,546

See accompanying notes to the financial statements

CLARK COUNTY, WASHINGTON
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2013

Net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance:	$	1,422,325
Governmental funds report capital outlays as expenditures and proceeds from the sale of capital assets as revenues. In the Statement of Activities the cost of these assets is capitalized and depreciated over the period of the asset's useful life. When capital assets are disposed of the difference between original cost less depreciation and the proceeds is booked as a gain or (loss) on the sale. This entry takes into account the differences in how capital costs are treated between the Statement of Activities and the governmental fund statements.		(5,404,076)
Governmental Funds receive contributions in the form of capital assets from developers, private donors, and proprietary funds. Because capital assets are not reported in governmental funds, neither are such contributions. Government-wide statements report capital assets in the Statement of Net Position and any contributions are reported in the Statement of Activities. This is the value of those capital contributions during the year.		10,772,058
Internal service fund expenses are allocated to other funds. The net expense of certain internal service fund activities is reported with governmental activities on the Statement of Activities.		(1,648,933)
The issuance of long-term debt and other long term liabilities provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This entry is the net effect of these differences in the treatment of long-term debt issuance and payments. The full detail of this entry can be found in Note # 12, Changes in Long Term Liabilities, in the notes to the financial statements, which follow the financial statements in this section.		(9,049,052)
Governmental funds report revenue in the current period for revenues unearned and/or deferred in prior periods, since they were not available financing sources at the time. Government-wide statements record revenues at the time they are earned. This amount accounts for the change in deferred inflows of resources during the fiscal year and the change in other long term assets.		(1,947,006)
Governmental funds do not report interest in a joint venture where the government's participation is intended to assist in the provision of services, as is the case with the County's investment in the Clark Regional Emergency Services Agency. However, the equity interest is reported in the Statement of Net Position.		175,523
Some expenses reported in the statement of activities do not require the use of current financial resources, and accordingly, are not reported as expenditures in governmental funds. This $544,518 represents an accrual for debt service interest payable at 12/31/13.		(544,518)
Change in net position, as reflected on the Statement of Activities	$	(6,223,679)

Clark County Washington
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget (GAAP Basis) and Actual
For the year ended December 31, 2013

	Original 2013/2014 Budget	Final 2013/2014 Budget	Actual Year to Date	Variance with Final Budget Positive/ (Negative)
Revenues:				
Taxes	$ 155,009,799	$ 147,908,171	$ 74,410,558	$ (73,497,613)
Licenses & permits	5,397,606	5,613,341	2,706,189	(2,907,152)
Intergovernmental	44,160,035	23,378,601	11,892,801	(11,485,800)
Charges for services	45,157,243	65,637,435	31,524,438	(34,112,997)
Fines & forfeitures	7,301,831	15,928,183	5,301,524	(10,626,659)
Miscellaneous	4,972,812	2,291,824	4,596,225	2,304,401
Total revenues	261,999,326	260,757,555	130,431,735	(130,325,820)
Expenditures				
Current:				
General government	91,117,175	99,835,163	51,685,989	48,149,174
Public safety	131,667,652	132,914,876	66,566,996	66,347,880
Judicial	22,492,300	22,981,360	11,324,490	11,656,870
Physical environment	11,129,467	9,839,377	4,380,969	5,458,408
Transportation	1,928,075	331,216	80,821	250,395
Economic environment	5,131,357	6,873,216	2,526,120	4,347,096
Culture and recreation	3,765,866	3,765,622	1,716,495	2,049,127
Capital outlay:				
General government	445,345	342,295	-	342,295
Public safety	-	150,000	56,283	93,717
Judicial	-	-	6,830	(6,830)
Physical environment	-	48,000	23,848	24,152
Transportation	520,000	1,512,656	486,135	1,026,521
Total expenditures	268,197,237	278,593,781	138,854,976	139,738,805
Excess (deficiency) of revenues over expenditures	(6,197,911)	(17,836,226)	(8,423,241)	9,412,985
Proceeds from long term debt	-	10,000,000	10,000,000	-
Sale of capital assets	1,912,750	1,425,861	883,108	(542,753)
Transfers in	24,798,134	24,971,290	12,289,997	(12,681,293)
Transfers out	(26,735,963)	(37,967,729)	(14,205,722)	23,762,007
Total other financing sources(use	(25,079)	(1,570,578)	8,967,383	10,537,961
Net change in fund balance	(6,222,990)	(19,406,804)	544,142	19,950,946
Fund Balance as of January 1	12,620,028	6,039,814	32,235,037	26,195,223
Prior Period Adjustment	-	-	3,322,820	3,322,820
Fund Balance as of January 1-restated	12,620,028	6,039,814	35,557,857	29,518,043
Fund balance as of December 31	$ 6,397,038	$ (13,366,990)	$ 36,101,999	$ 49,468,989

See accompanying notes to the financial statements

Clark County Washington
County Roads
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the year ended December 31, 2013

	Original 2013/2014 Budget	Final 2013/2014 Budget	Actual Year-To-Date	Variance with Final Budget Positive/ (Negative)
Revenues				
General property taxes	$ 61,368,636	$ 61,350,096	$ 31,440,010	$ (29,910,086)
Timber harvest	110,000	-	-	-
Excise and other taxes	40,000	150,000	220,281	70,281
Total taxes	61,518,636	61,500,096	31,660,291	(29,839,805)
Business licenses and permits	380,000	380,000	234,894	(145,106)
Non-business licenses and permits	250,000	250,000	93,786	(156,214)
Total licenses & permits	630,000	630,000	328,680	(301,320)
Federal grants -- direct	-	-	240,879	240,879
Federal entitlements	14,600	33,140	6,122	(27,018)
Federal grants -- indirect	13,858,000	13,858,000	10,117,608	(3,740,392)
State grants	17,351,000	17,351,000	2,952,608	(14,398,392)
State entitlements	12,850,000	12,850,000	6,332,719	(6,517,281)
Intergovernmental	200,000	-	-	-
Total intergovernmental	44,273,600	44,092,140	19,649,936	(24,442,204)
General government fees	14,130	114,130	255,441	141,311
Physical environment	-	196,000	157,379	(38,621)
Transportation	1,306,144	1,310,144	5,318,962	4,008,818
Economic environment	20,000	8,601,900	3,719,140	(4,882,760)
Interfund revenues	10,093,900	-	-	-
Total charges for services	11,434,174	10,222,174	9,450,922	(771,252)
Interest earnings	302,000	302,000	91,222	(210,778)
Rents and royalties	72,560	72,560	20,331	(52,229)
Donations	130,000	130,000	-	(130,000)
Other revenues	10,000	722,000	30,831	(691,169)
Total miscellaneous	514,560	1,226,560	142,384	(1,084,176)
Total revenues	118,370,970	117,670,970	61,232,213	(56,438,757)
Expenditures				
General government				
Other services and charges	35,174	-	-	-
Interfund payment for services	32,592	-	-	-
Total general government	67,766	-	-	-
Public Safety				
Other services and charges	2,000	5,894	1,447	4,447
Interfund payment for services	3,894	-	-	-
Total public safety	5,894	5,894	1,447	4,447
Transportation				
Personal services	25,244,784	24,801,610	11,866,494	12,935,116
Supplies	7,134,515	8,698,313	3,005,147	5,693,166
Other services and charges	13,418,426	32,493,729	14,082,826	18,410,903
Intergovernmental	-	129,840	-	129,840
Interfund payment for services	27,029,559	1,595,800	-	1,595,800
Capital outlays	64,417,643	60,654,198	36,539,505	24,114,693
Total transportation	137,244,927	128,373,490	65,493,972	62,879,518

Clark County Washington
County Roads
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget (GAAP Basis) and Actual
For the year ended December 31, 2013

	Original 2013/2014 Budget	Final 2013/2014 Budget	Actual Year-To-Date	Variance with Final Budget Positive/ (Negative)
Economic Environment				
Personal services	1,961,173	1,961,173	1,019,047	942,126
Supplies	23,800	41,500	22,515	18,985
Other services and charges	298,800	601,941	178,999	422,942
Interfund payment for services	459,037	-	-	-
Total economic environment	2,742,810	2,604,614	1,220,561	1,384,053
Total expenditures	140,061,397	130,983,998	66,715,980	64,268,018
Excess (deficiency) of revenues over expenditures	(21,690,427)	(13,313,028)	(5,483,767)	7,829,261
Issuance of long-term debt	3,504,573	3,504,573	4,548,792	1,044,219
Sale of capital assets	1,700,000	1,700,000	945,268	(754,732)
Transfers in	3,787,000	6,491,294	2,798,933	(3,692,361)
Transfers out	(5,221,909)	(5,188,909)	(1,785,016)	3,403,893
Total other financing sources (uses)	3,769,664	6,506,958	6,507,977	1,019
Net change in fund balance	(17,920,763)	(6,806,070)	1,024,210	7,830,280
Fund balance as of January 1	13,347,277	20,404,212	29,805,906	9,401,694
Prior period adjustments	-	-	158,620	158,620
Fund balance as of January 1 -restated	13,347,277	20,404,212	29,964,526	9,560,314
Fund balance as of December 31	$ (4,573,486)	$ 13,598,142	$ 30,988,736	$ 17,390,594

CLARK COUNTY, WASHINGTON

Community Services Grants

Statement of Revenues, Expenditures, and

Changes in Fund Balance - Budget (GAAP Basis) and Actual

For the year ended December 31, 2013

	Original 2013/2014 Budget	Final 2013/2014 Budget	Actual Year to Date	Variance with Final Budget Positive/(Negative)
Revenues				
Non-business licenses and permits	$ 90,000	$ 90,000	$ 62,100	$ (27,900)
Total licenses & permits	90,000	90,000	62,100	(27,900)
Federal grants -- direct	13,380,000	13,380,000	2,094,583	(11,285,417)
Federal grants -- indirect	8,633,104	8,633,104	3,460,829	(5,172,275)
State grants	3,919,028	5,219,028	997,994	(4,221,034)
Intergovernmental revenues	1,552,008	-	-	-
Total intergovernmental	27,484,140	27,232,132	6,553,406	(20,678,726)
General government fees	8,150,000	14,320,296	3,034,920	(11,285,376)
Economic environment	800,000	2,352,008	559,845	(1,792,163)
Interfund revenues	6,170,296	-	-	-
Total charges for services	15,120,296	16,672,304	3,594,765	(13,077,539)
Donations	-	-	-	-
Rent and royalties	-	-	79,487	79,487
Interest earnings	2,000	2,000	96,592	94,592
Other revenues	580,000	580,000	318,097	(261,903)
Total miscellaneous	582,000	582,000	494,176	(87,824)
Repayments of loans	-	-	-	-
Total revenues	43,276,436	44,576,436	10,704,447	(33,871,989)
Expenditures				
Economic environment				
Personal services	4,518,817	4,754,443	2,255,566	2,498,877
Supplies	228,990	294,320	54,630	239,690
Other services and charges	29,983,714	33,827,623	8,743,323	25,084,300
Interfund payment for services	5,795,489	840,104	-	840,104
Intergovernmental	-		1,437,363	(1,437,363)
Total economic environment	40,527,010	39,716,490	12,490,882	27,225,608
Debt service: interest	-	-	69	(69)
Total expenditures	40,527,010	39,716,490	12,490,951	27,225,539
Excess (deficiency) of revenues over expenditures	2,749,426	4,859,946	(1,786,504)	(6,646,450)
Other Financing Sources (Uses)				
Transfers in	2,825,568	2,956,620	1,364,784	(1,591,836)
Transfers out	(245,869)	(245,869)	(245,869)	0
Total other financing sources (uses)	2,579,699	2,710,751	1,118,915	(1,591,836)
Net change in fund balance	5,329,125	7,570,697	(667,589)	(8,238,286)
Fund balance as of January 1	9,162,184	8,378,440	21,905,958	13,527,518
Fund balance as of December 31	$ 14,491,309	$ 15,949,137	$ 21,238,369	$ 5,289,232

See accompanying notes to the financial statements

Clark County Washington
Statement of Net Position
Proprietary Funds
December 31, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major				
Assets	**Sanitary Sewer**	**Clean Water**	**Nonmajor Enterprise Funds**	**Total**	**Internal Service Funds**
Current assets					
Cash, cash equivalents and pooled investments	$ 2,763,131	$ 793,229	$ 2,110,198	$ 5,666,558	$ 11,556,867
Deposit in trust	-	-	-	-	150,000
Receivables, net	17,051	361,890	272,300	651,241	1,079,061
Due from other funds	2,660	41,121	38,350	82,131	978,284
Due from other governments	-	196,713	284,113	480,826	1,318
Inventory (at cost)	-	-	-	-	2,294,465
Prepaid expense	-	-	797	797	865,947
Total current assets	2,782,842	1,392,953	2,705,758	6,881,553	16,925,942
Noncurrent assets					
Capital assets not being depreciated:					
Land	437,525	28,607,250	6,590,758	35,635,533	-
Construction in progress	-	1,355,610	-	1,355,610	241,041
Infrastructure	-	66,868,842	-	66,868,842	-
Capital assets being depreciated:					
Buildings	18,222,876	-	1,839,500	20,062,376	102,357
Improvements other than buildings	100,200,411	1,034,883	793,289	102,028,583	1,301,347
Machinery & equipment	438,166	34,702	565,349	1,038,217	30,272,314
Intangibles	-	-	-	-	1,017,832
Infrastructure	33,163,099	-	944,358	34,107,457	-
Less accumulated depreciation	(29,266,709)	(4,854,968)	(2,227,197)	(36,348,874)	(19,941,478)
Total noncurrent assets	123,195,368	93,046,319	8,506,057	224,747,744	12,993,413
Total assets	$ 125,978,210	$ 94,439,272	$ 11,211,815	$ 231,629,297	$ 29,919,355
Liabilities					
Current liabilities					
Accounts payable	$ 158,660	$ 766,562	$ 172,046	$ 1,097,268	$ 1,682,235
Due to other funds	4,799	95,694	1,356	101,849	562,569
Due to other governments	29	2	-	31	32,438
. Accrued liabilities	84,638	175,333	66,749	326,720	374,469
Revenue collected in advance	-	116,530	-	116,530	-
Compensated absences	11	7,331	6,426	13,768	67,399
Accrued claims payable-current	-	600,000	-	600,000	1,778,763
Bonds, notes, claims and loans payable	-	15,655	-	15,655	-
Total current liabilities	248,137	1,777,107	246,577	2,271,821	4,497,873
Noncurrent liabilities					
Compensated absences	167,531	127,987	121,668	417,186	578,496
Accrued claims payable	-	3,000,000	-	3,000,000	6,680,182
Advance due to other funds	-	-	55,722	55,722	-
Advance due to other governments	-	375,257	-	375,257	-
Total noncurrent liabilities	167,531	3,503,244	177,390	3,848,165	7,258,678
Total liabilities	415,668	5,280,351	423,967	6,119,986	11,756,551
Net Position					
Net investment in capital assets	123,195,368	93,046,319	8,506,057	224,747,744	12,993,413
Restricted for debt service	-	-	-	-	150,000
Unrestricted	2,367,174	(3,887,398)	2,281,791	761,567	5,019,391
Total net position	$ 125,562,542	$ 89,158,921	$ 10,787,848	$ 225,509,311	$ 18,162,804

See accompanying notes to the financial statements

Clark County Washington

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended December 31, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities
	Major				
	Sanitary Sewer	Clean Water	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 4,069,966	$ 5,135,093	$ 3,747,926	$ 12,952,985	$ 12,145,569
Contributions from participants	-	-	-	-	11,597,598
Miscellaneous	-	10,136	-	10,136	-
Total operating revenues	4,069,966	5,145,229	3,747,926	12,963,121	23,743,167
OPERATING EXPENSES					
Personal services	1,345,113	1,689,428	1,256,016	4,290,557	7,665,812
Contractual services	1,664,475	3,755,623	2,242,233	7,662,331	15,427,869
Other supplies and expenses	434,048	34,498	125,653	594,199	9,711,758
Intergovernmental	148,051	35,775	410,524	594,350	-
Depreciation	2,930,515	5,158	85,589	3,021,262	1,946,916
Total operating expenses	6,522,202	5,520,482	4,120,015	16,162,699	34,752,355
Operating income (loss)	(2,452,236)	(375,253)	(372,089)	(3,199,578)	(11,009,188)
NONOPERATING REVENUES (EXPENSES)					
Interest and investment revenue	6,387	24,307	4,770	35,464	29,293
Operating grant revenue	-	714,919	619,275	1,334,194	61,430
Miscellaneous revenue	596	-	30,680	31,276	345,379
Intergovernmental revenue		-	-	-	13,208
Claims & Judgements	-	30,276	-	30,276	-
Gain/(loss) on disposition of capital assets	-	(5,120)	(5,120)	(10,240)	14,720
Interest expense	-	(32,676)	(955)	(33,631)	(263)
Miscellaneous expense	-	(425)	-	(425)	-
Total non-operating revenues	6,983	731,281	648,650	1,386,914	463,767
Income (loss) before contributions and transfers	(2,445,253)	356,028	276,561	(1,812,664)	(10,545,421)
Capital contributions	-	1,712,659	-	1,712,659	200,812
Extraordinary item:					
Settlement for violation of the federal Clean Water Act	-	(3,600,000)	-	(3,600,000)	-
Transfers in	-	-	180,410	180,410	9,256,950
Transfers out	-	(180,410)	-	(180,410)	(561,275)
Change in net position	(2,445,253)	(1,711,723)	456,971	(3,700,005)	(1,648,934)
Net position as of January 1	128,088,521	90,793,499	2,602,679	221,484,699	19,811,738
Prior period adjustments	(80,726)	77,145	7,728,198	7,724,617	-
Net position as of January 1- restated	128,007,795	90,870,644	10,330,877	229,209,316	19,811,738
Net position as of December 31	$ 125,562,542	$ 89,158,921	$ 10,787,848	$ 225,509,311	$ 18,162,804

See accompanying notes to the financial statements

Clark County Washington
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2013

	Business-type Activities -- Enterprise Funds				Governmental Activities
	Major				
	Sanitary Sewer	Clean Water	Nonmajor Enterprise Funds	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers - inflows	$ 4,058,716	$ 5,419,950	$ 3,613,999	$ 13,092,665	$ 2,056,644
Receipts from customers - outflows	-	-	-	-	(174,893)
Receipts from interfund services provided-inflows	-	21,930	156,808	178,738	21,400,480
Payments to suppliers - outflows	(2,426,517)	(4,099,927)	(2,955,944)	(9,482,388)	(22,023,630)
Payments to employees-outflows	(1,336,942)	(1,608,292)	(1,219,670)	(4,164,904)	(7,439,432)
Use of revenue received in advance - outflfows	-	(5,930)	-	(5,930)	-
Payments for interfund services used - outflows	(1,179)	(416,974)	(361,729)	(779,882)	(1,523,259)
Payments for interfund services used - inflows	-	-	-	-	298,721
Payments on claims and judgments - outflows	-	-	-	-	(1,036,849)
Proceeds from sale of non-capital equipment	-	-	-	-	6,280
Miscellaneous receipts - inflows	596	30,276	30,680	61,552	339,099
Net cash provided (used) by operating activities	294,674	(658,967)	(735,856)	(1,100,149)	(8,096,839)
CASH FLOWS FROM NONCAPITAL FINANCING					
Operating grants received	-	714,919	751,990	1,466,909	74,638
Interest paid on operating activities	-		-	-	(263)
Transfers from other funds	-		180,410	180,410	9,256,950
Transfers to other funds	-	(180,410)	-	(180,410)	(561,275)
Advances from other funds	-		55,722	55,722	-
Debt service:					
Principal on operating debt	-	(2,568)	-	(2,568)	-
Interest expense on operating debt	-	(10,906)	(955)	(11,861)	-
Net cash provided (used) by noncapital financing activities	-	521,035	987,167	1,508,202	8,770,050
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital contributions	-	-	-	-	200,812
Purchases of capital assets	(27,046)	(766,718)	-	(793,764)	(2,849,774)
Proceeds from sales of capital assets	-	-	-	-	264,810
Net cash (used) by capital and related financing activities	(27,046)	(766,718)	-	(793,764)	(2,384,152)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	6,387	24,307	4,770	35,464	29,294
Net cash provided by investing activities	6,387	24,307	4,770	35,464	29,294
Net increase/(decrease) in cash and cash equivalents	274,015	(880,343)	256,081	(350,247)	(1,681,647)
Cash and cash equivalents on January 1 -restated	2,489,116	1,673,572	1,854,117	6,016,805	13,388,514
Cash and cash equivalents on December 31	$ 2,763,131	$ 793,229	$ 2,110,198	$ 5,666,558	$ 11,706,867

See accompanying notes to the financial statements

Clark County Washington
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2013

	Business-type Activities -- Enterprise Funds				Governmental Activities
	Major				
	Sanitary Sewer	Clean Water	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ (2,452,236)	$ (3,975,253)	$ (372,089)	$ (3,199,578)	$ (11,009,188)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	2,930,515	5,158	85,589	3,021,262	1,946,916
Decrease for expense due from prior period	(80,726)	-	-	(80,726)	-
Increase/(decrease) in expense for change in Claims Liability	-	3,600,000	-	3,600,000	644,697
Increase/(decrease) in revenue from Claims and judgments	-	30,276	-	30,276	-
Proceeds from sale of non-capital equipment				-	6,280
Miscellaneous expenses	-	(425)	-	(425)	-
Miscellaneous receipts	596	-	30,680	31,276	339,099
(Increase) decrease in accounts receivable	(11,250)	28,227	(33,927)	(16,950)	(111,993)
(Increase) decrease in prepaid expense	60	-	3,024	3,084	(52,825)
(Increase) decrease in due from other funds		(38,743)	56,808	18,065	(374,581)
(Increase) decrease in due from other governments	-	307,168	-	307,168	25,639
(Increase) decrease in inventory	-	-	-	-	(6,833)
Increase (decrease) in accounts/warrants payables	(97,237)	(631,613)	(517,283)	(1,246,133)	58,442
Increase (decrease) in deposits payables	(2,069)	-	-	(2,069)	-
Increase (decrease) in due to other funds	(1,179)	(58,970)	(24,726)	(84,875)	307,482
Increase (decrease) in due to other governments	29	2	(279)	(248)	32,437
Increase (decrease) in accrued liabilities	4,453	99,128	-	103,581	71,550
Increase (decrease) in revenue received in advance	-	(5,930)	4,476	(1,454)	-
Increase (decrease) in compensated absences	3,718	(17,992)	31,871	17,597	26,039
Net cash provided (used) by financing activities	$ 294,674	$ (658,967)	$ (735,856)	$ 2,499,851	$ (8,096,839)
Noncash investing, capital, and financing activities					
Contribution of capital assets	$ -	$ 1,789,804	-	$ 1,789,804	$ 200,812

See accompanying notes to the financial statements

Clark County Washington
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2013

	Investment Trust Funds	Private Purpose Trust Fund	Agency Funds
Assets			
Cash, cash equivalents and pooled investments	$350,309,681	$ 66,538	$ 25,085,482
Cash and deposits in trust	-	-	391,843
Accrued interest receivable	598,089	-	-
Other receivables:			
Taxes	-	-	13,654,157
Accounts	-	-	1,167,873
From other governments	-	-	17,181,984
Total other receivables	-	-	32,004,014
Investments at fair value			
US treasury state and local government	2,121,050	-	-
Total investments	2,121,050	-	-
Total assets	353,028,820	66,538	57,481,339
Liabilities			
Warrants payable	-	-	28,096,210
Accounts payable and other liabilities	-	-	7,746,301
Due to other governments	-	-	19,215,396
Accrued liabilities	-	-	288,328
Deposits payable	-	-	2,135,104
Total liabilities	-	-	57,481,339
Net Position			
Net Position held in trust for pool participants	353,028,820	-	-
Net Position held in trust for other purposes	-	66,538	-
Total net position	$353,028,820	$ 66,538	$ -

See accompanying notes to the financial statements

Clark County Washington
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2013

	Investment Trust Funds	Private Purpose Trust Fund
Additions		
Contributions		
Additions by participants	$ 783,180,121	$ -
Total contributions	783,180,121	-
Investment income		
Net decrease in fair value of investments	(252,392)	-
Interest, dividends, and other	-	167
Total investment income	(252,392)	167
Total additions	782,927,729	167
Deductions		
Payments in accordance with trust agreements	-	162
Distributions to participants	772,770,785	-
Total deductions	772,770,785	162
Change in net position held for individuals, organizations and other governments	10,156,944	5
Net Position		
Net position as of January 1	342,871,876	66,533
Net position as of December 31	$ 353,028,820	$ 66,538

See accompanying notes to the financial statements

CLARK COUNTY WASHINGTON
NOTES TO FINANCIAL STATEMENTS
December 31, 2013

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Clark County have been prepared in conformance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Washington State Auditor's Office has developed and implemented the Budgeting, Accounting, and Reporting System (BARS) designed to promote uniformity among cities and counties in Washington. Following is a summary of significant accounting policies for Clark County.

A. Financial Reporting Entity

The reporting entity "Clark County" consists of Clark County as the primary government, one discretely presented component unit, and four blended component units for which the County is financially accountable. Blended component units are legally separate entities, but are in substance a part of the County's operations. The data from these entities are combined with the financial data from the primary government. Clark County is a statute county, which means the organization of the County is prescribed by state statute. The County has a commissioner form of government with a governing body consisting of three County Commissioners.

Discretely Presented Component Unit;

In 2002, Clark County formed the ***Clark County Public Facilities District (CCPFD)*** to collect a portion of state sales and use taxes within the public facilities district. These revenues are to be used solely to acquire, collect, own, remodel, maintain, and equip regional centers as defined by law. In 2003, the CCPFD and the City of Vancouver Public Facilities District (City PFD) entered into an interlocal agreement to transfer ninety-seven percent of the sales tax revenue received by the County PFD to the City's PFD to support the construction of the Vancouver Convention Center. The remainder of the sales tax revenue goes to support the construction and maintenance of the County Fairgrounds Expo Center.

Under the interlocal agreement, the City PFD agrees to pay CCPFD 37.5% of the "surplus" annual revenues from the convention center project up to $450,000, provided that payment doesn't exceed the amount the CCPFD transferred to the City PFD for the year. Following the final payment on the Vancouver conference center bonds, or the end of the sales and use tax collection, the CCPFD shall be paid annually 70% of the "surplus" revenue for the prior year up to a maximum 25% of the amount carried forward balance. At the end of 2013, the CCPFD has a note receivable in the amount of $6,266,616, which includes accrued interest receivable of $256,893, from the City PFD. The CCPFD is composed of five directors appointed by the Clark County Commissioners. The CCPFD is a discretely presented component unit because the County cannot impose its will on the CCPFD and the CCPFD provides services to other entities. Separately issued financial statements for the CCPFD can be obtained by contacting the Clark County Auditor's Office, P.O. Box 5000, Vancouver, Washington 98666-5000.

Blended Component Units:

The ***Industrial Revenue Bond Corporation of Clark County (IRBC***) was established in 1982 with the granting of its charter under RCW 39.84. IRBC is responsible for encouraging industrial development by issuing industrial revenue bonds in accordance with the 1981 Economic Development Act of the State of Washington. Revenue bonds issued by the corporation are payable solely from revenues of the industrial development facility funded by the revenue bonds and are neither a liability nor a contingent liability of Clark County, the IRBC, or any other public entity. There are no bond issues outstanding at December 31, 2013. IRBC is a component unit of the County because: 1) it is a separate legal entity; 2) the Board of County Commissioners comprises the Board of the IRBC and has operational responsibility for the IRBC; and 3) the County can impose its will on the IRBC. The operations of the IRBC are reported as a blended special revenue fund.

Emergency Medical Service District (EMSD) was established in 1987 as a quasi-municipal corporation and an independent taxing authority under RCW 36.32.480. In 1995, an Emergency Medical Service (EMS) Interlocal Cooperation Agreement was signed by the County and various cities within the county to enable these jurisdictions to exercise uniform EMS regulatory oversight and to participate in purchasing ambulance services in the contract service area. The EMSD is a separate legal entity. The EMSD ordinance designates the Board of Clark County Commissioners as the governing body of the EMSD. The County has operational and financing responsibility for the EMSD. The operations of the EMSD are reported as a blended special revenue fund (Emergency Medical Services).

Fairgrounds Site Management Group (FSMG) was established in 2004 as a non-profit organization to oversee the management, operations and maintenance of the county fairgrounds and event center. All operating revenues collected by FSMG are the sole property of the County. The County adopts a budget for the expenditures relating to operations of the fairgrounds, financially supports the operations of the Event Center and the fairgrounds, and the services of the FSMG are provided almost entirely to the County. FSMG is a component unit of the County because: 1) it is a separate legal entity; 2) the five member board is made up of three members appointed by the Clark County Commissioners and two members appointed by the Clark County Fair Association, 3) the County can impose its will on FSMG and 4) the County has the financial burden of supporting and funding operations at the fairgrounds and Event Center. Its operations are reported as a blended special revenue fund (Event Center Fund).

Metropolitan Park District (MPD) was approved by the citizens of the County by vote in 2005 under the authority of RCW 35.61. The MPD creates a district whereby a property tax is imposed to provide operating and maintenance funding for park and trail development in the unincorporated urban area of Clark County. The collection of taxes and the operation of the MPD are reported as a blended special revenue fund (Metropolitan Parks District Fund). The MPD is a separate legal entity governed by the Board of County Commissioners and the County is operationally responsible for MPD activities and transactions.

B. Government-wide and Fund Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, as well as grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenues not included among program revenues are reported as general revenues.

Fund financial statements are used to report additional and more detailed information about the primary government and its blended component units. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers revenues, when material, to be available if they are collected within 60 days of the end of the fiscal period. Expenditures are recorded when the related fund liability is incurred, as under accrual accounting. Exceptions to this rule include unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property and certain other taxes, licenses, and interest associated within the current period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives cash.

Clark County reports three major governmental funds:

- The *General Fund* is the County's primary operating fund. It is used to account for all activities of the general government not accounted for and reported in another fund.

- The *County Roads Special Revenue Fund* finances the design, construction, and maintenance of county roads. Restricted revenue streams consist primarily of county road property taxes and grants.

- The *Community Services Grants Special Revenue Fund* is a multi-grant fund used to finance a variety of community improvement and relief services, including assistance to the elderly, weatherization, special volunteers, and aid to the economically disadvantaged. All grant revenues are restricted to these specific services.

In 2012 the County reported the Mental Health Grants Special Revenue Fund as a major fund. This fund does not qualify as a major fund in 2013. Because of this, the beginning fund balance for "Other Governmental Funds" on the basic statement of revenues and expenditures and for "Nonmajor Special Revenue Funds" on the combining statement of revenues and expenditures do not match the ending fund balance on those statements for 2012. However, the "Total" fund balance as of January 1 for the 2013 governmental funds statement of revenues and expenditures does match the "Total" fund balance as of December 31 for the 2012 Statement.

The County reports two major proprietary funds:

- The *Sanitary Sewer Fund* accounts for all sewer activity, including maintenance and operations of the County's sewer treatment plant and sewer capital construction projects.

- The *Clean Water Fund* accounts for activities related to the County's stormwater drainage systems, in accordance with the Federal Clean Water Act.

Additionally, the County reports the following non-major fund types:

- *Special revenue funds* account for and report the proceeds of specific revenue sources that are restricted or committed to finance specific activities or functions, as required by law or administrative regulation.

- *Capital project funds* account for and report resources that are restricted, committed or assigned to be used for acquisition or construction of capital projects or other capital assets.

- *Debt service funds* account for and report financial resources that are restricted, committed or assigned to be used for payment of principal and interest on long-term debt.

- *Internal service funds* account for and report equipment rental, elections, central support, self-insurance, building maintenance, retirement benefit reserve, and data processing services provided to other departments, government agencies and governments, on a cost reimbursement basis.

- The *non-major enterprise funds* account for and report the provision of solid waste operations associated with the oversight of solid waste in Clark County and the activity at the Tri-Mountain Golf Course.

- The *private-purpose trust fund* accounts for and reports resources legally held in trust for a private entity, the Children's Home Society, to benefit homeless or orphaned children. Only earnings on investments may benefit this activity. The capital portion of the trust must be preserved intact. No resources are used to support the County's programs.

- *Investment trust funds* account for and report external pooled and non-pooled investments held by the County Treasurer on behalf of outside entities in the County's investment program. Pooled money is invested and monitored by the County and external participants are generally government entities that do not have their own treasurer, such as fire and school districts.

- *Agency funds* are custodial in nature and do not present results of operations or have a measurement focus. These funds account for and report assets (such as property taxes collected on behalf of other governments) that the County holds for others in an agency capacity. Agency funds include cities, towns, and fire, school, port, cemetery, air pollution, library, and drainage districts, along with miscellaneous clearing fund activities.

In the government-wide statement of activities interfund activity for direct expenses are not eliminated from program expense, while indirect expenses allocated to various functional programs are shown in a separate column. Amounts reported as program revenues include a) charges to customers or applicants for goods, services or privileges provided, b) operating grants and contributions, and c) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. General revenues include all taxes, interest earnings, sale of capital assets, and transfers.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Principal operating revenues of the Sanitary Sewer and Clean Water Funds, the non-major enterprise funds and the County's internal service funds are charges to customers for sales and services and activity fees. Operating expenses for enterprise and internal service funds include the cost of personnel services, contractual services, other supplies and expenses, utilities, intergovernmental expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's intent to use restricted resources first, then unrestricted resources, as they are needed.

D. Budgetary Information

The biennial budget for Clark County is adopted in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by the Budgeting, Accounting, and Reporting Systems (BARS) of the State of Washington, and on a basis consistent with generally accepted accounting principles, with one exception. The Board of County Commissioners adopts biennial appropriations for the general, special revenue, and capital project funds. Budgetary constraints for debt service funds are determined by the terms of the debt instruments or enabling legislation.

During the budget process, each county official submits detailed estimates of anticipated revenues and expenditure requests for the ensuing budget years. The budget office compiles this data and makes it available for public comment in early October of the budget adoption year. A recommended budget is published in the third week of November with a public hearing held during the first week in December, when the final budget is adopted.

The biennial budget is adopted, and systematically monitored on fund level for special revenue, general obligation bond debt service, and capital project funds and on department level for the General Fund. Personal service costs in each fund are controlled by position. Capital acquisitions are approved on a project basis, with the most significant capital items being reflected in the six year Transportation Improvement Plan, which is updated and approved each year by the Board.

Biennial budgets are amended by supplemental appropriation resolutions that are approved by the Board during public meetings. Revisions which increase the total appropriation of any fund are published in the official county newspaper at least two weeks before the public hearing. Revisions approved by the Board during 2013 consisted of awards and modifications of grants, the release of contingency funds to specific programs, and enhanced revenues supporting expanded program requirements. Department heads may transfer budget amounts between certain categories of expenditures (supplies and services) without approval of the Board as long as they do not exceed their total department/fund budget.

E. Assets, Liabilities, and Net Position or Fund Balance

1. *Cash and Cash Equivalents (See Note 4 for more details)*

It is County policy to invest all temporary cash surpluses. At December 31, 2013 the Treasurer was holding $25,466,251 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash and cash equivalents along with pooled investments of the various funds.

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments generally with original maturity of three months from the date of acquisition. For purposes of the statement of cash flows, the County considers pooled investments and deposits in trust to be cash equivalents.

2. *Investments (See Note 4 for more details)*
The Clark County Treasurer (Treasurer) is empowered by the State of Washington to act as the fiduciary agent for the County (as Treasurer) and other junior taxing districts (as ex-officio Treasurer), which includes the receipt, deposit and prudent investment of public funds as legally prescribed by the laws of the State. State statutes authorize the County to invest in obligations of the U.S. Treasury, commercial paper, banker's acceptances, certain other government agency obligations, and the state treasurer's investment pool. County policy dictates that all investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool and similar money market accounts be transacted on the delivery versus payment basis. Investments are stated at fair value.

The Treasurer administers and maintains the Clark County Investment Pool for the County and other jurisdictional governments within the county. Participation in the Pool is voluntary. All participants have the option of investing in the Pool, or requesting specific investment amounts and maturity dates for investments outside the Pool. The Treasurer's Office does not report any securities at amortized cost. All securities are reported using the security's fair market value.

3. *Receivables (See Note 8)*
Taxes receivable consist of delinquent property taxes. Property taxes are levied annually before December 15th and become a lien as of January 1st. Property taxes are recorded on the balance sheet as taxes receivable and deferred inflows of resources at the beginning of the year in the fund statements. Taxes are due in two equal installments on April 30th and October 31st. All uncollected property taxes at year-end are reported as taxes receivable. No allowance for doubtful taxes receivable is recorded because delinquent taxes are considered fully collectible. Interest and penalties receivable is related to delinquent property taxes.

Special assessment receivables consist of current and delinquent assessments and related penalties and interest for county road improvement districts, which are recorded when levied. Customer accounts receivable consist of amounts due from individuals or organizations for goods and services. Notes receivable consist of amounts due on open account from individuals or organizations for goods and services or for sales of capital assets. The amount of accounts receivable estimated to be uncollectible at year end has been determined to be small, and not material. An amount for allowance to doubtful notes/contract receivable has been recorded for those notes or contracts receivable that are forgiven upon completion of the contract.

4. *Amounts Due to and from Other Funds and Governments, Interfund Loans and Advances Receivable (See Note 9 for more details)*
Outstanding lending and borrowing arrangements between funds at the end of the year are referred to as "advances due to/from other funds". Other outstanding balances between funds are reported as "due to/from other funds". Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Interfund balances between governmental funds and interfund balances between proprietary funds have been eliminated and are not included in the government-wide statement of net position.

Due from other governments include amounts due from grantors for grants issued for specific programs and capital projects.

5. *Inventories and Prepaid Items*

Inventories are generally held in internal service funds and consist of expendable supplies, rock, road oil, vehicle parts, fuel, and signs. The cost is recorded as expenditures at the time inventory items are consumed. Inventory is valued using the average cost method, which approximates the market value.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. *Restricted Assets*

In December 1999, the County and the City of Vancouver (the City) consolidated their parks operations. The County transfers its park impact fee revenues to the City and the City expends them on various park projects in the coming years. These impact fees have been recorded as restricted - assets in safekeeping- until such time as the funds are expended on park land or parks development projects, which are then recorded as capital assets in the County's Statement of Net Position. For 2013, $6,658,064 was recorded as assets in safekeeping in the Development Impact Fee capital project fund.

7. *Capital Assets (See Note 6 for more details)*

Capital assets include land, buildings, improvements, equipment, infrastructure, and all other tangible and intangible assets that are used in operations and that have initial useful lives extending beyond two years. Infrastructure assets are assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure include roads, bridges, stormwater facilities, and water and sewer systems. Capital assets are defined by the County as assets with an initial individual cost of more than $5,000 (in the case of infrastructure assets, an initial cost of more than $100,000) and for all categories of assets, an estimated useful life in excess of two years.

The County has recorded the value of all infrastructure (which meets the $100,000 capital threshold requirement referred to in the previous paragraph) acquired from 1980 to present, and has included that value in the financial statements. Engineering estimates were used to value the estimated historical costs of the infrastructure. The County has not reported infrastructure acquired prior to January 1, 1980.

The County uses the modified approach for reporting bridge and stormwater infrastructure of the County. Under the modified approach, capital infrastructure assets are not required to report depreciation if an asset management system is used to document that infrastructure assets are being preserved at a condition level set by the government. Governmental infrastructure assets were first reported in 2001, with the implementation of Governmental Accounting Standards Board Statement # 34 (GASB #34). All infrastructure assets were depreciated until 2003, when the County first chose to use the modified approach.

When capital assets are purchased they are capitalized and depreciated (with the exception of construction in progress, land, easements, and infrastructure being reported using the modified approach) in government-wide financial statements and proprietary fund statements. Capital asset costs are recorded as expenditures of the current period in governmental fund financial statements. Capital assets are valued at cost where historical records are available and at estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair value on the date received.

Improvements to capital assets that materially add to the function or capacity of the asset are capitalized. Improvements are also capitalized if they extend the life of an asset which is being depreciated. Other repairs and normal maintenance are expensed.

Outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation of these assets does not commence until the project is substantially completed. Buildings, equipment, improvements, software, and certain infrastructure are depreciated using the straight-line method. Estimated useful lives are as follows:

Buildings	40 – 60 years
Improvements other than buildings	10 - 50 years
Heavy vehicles and equipment	5 - 15 years
Data Processing Equipment	3 - 5 years
Other Equipment	3 - 15 years
Infrastructure	10 - 50 years
Software	5 - 10 years

Machinery and equipment purchased on capital leases are treated as capital assets, indicating a constructive or actual transfer of the benefits and risks of ownership to the County, and are valued at the lesser of the fair value of the leased property or the net present value of the minimum lease payments required by the contract.

8. *Compensated Absences*
It is the County's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Employees with a minimum of ten years of services are permitted to cash out a portion of their accrued sick leave at termination, based on a percentage of accumulated hours. The remainder of unpaid sick leave is not earned until taken by the employee, and therefore is recorded at the time used in governmental funds. All vacation pay and eligible sick leave pay is accrued when incurred in the government-wide and proprietary funds. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund, special revenue funds, and internal service funds typically liquidate the governmental activities liability for compensated absences.

9. *Other Accrued Liabilities*
These accounts consist mainly of accrued employee wages and benefits, and other post-employment benefits, where applicable. The General Fund typically liquidates the liability for other post-employment benefits.

10. *Long-term Obligations (See Note 11and 12)*
Revenue bonds and other long-term liabilities directly related to and financed from proprietary funds are accounted for in the respective proprietary funds. All other County long-term debt is reported in the governmental column of the government-wide statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight line interest method since it is not materially different from the effective interest method. Bonds payable are reported net of the premium or discount. Bond issuance costs are reported as costs of the current period. In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the current period. The face amount of debt is reported as other financing sources when received. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance cost is reported as debt service expenditures.

11. *Deferred outflows/inflows of resources*
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to

future periods and will not be recognized as an outflow of resources (expense or expenditure) until then. The County does not currently have any items that qualify as deferred outflows of resources.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents a consumption of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until then. The County reports only one type of item, unavailable revenue, which qualifies for reporting in this category, under a modified accrual basis of accounting. Accordingly, unavailable revenue is recorded only in the governmental funds balance sheets. The unavailable revenue arises from three sources: property taxes, special assessments, and court fees. These amounts are deferred and will be recognized as an inflow of resources in the period that the amounts become available.

12. *Net Position and Fund Balances*

In the financial statements, assets in excess of liabilities are presented in one of two ways depending on the measurement focus of the fund.

On the Statement of Net Position for government-wide reporting and the proprietary funds, net position is segregated into three categories: net investment in capital asset; restricted net position; and unrestricted net position.

- *Net investment in capital assets,* represents total capital assets less accumulated depreciation and debt directly related to capital assets minus unspent bond proceeds. Deferred inflows or outflows of resources that are attributable to the acquisition, construction or improvement of capital assets or related debt are also included in this component of net position.

- *Restricted net position* is the portion of the County's net position which is subject to external legal restrictions (by the Revised Code of the State of Washington or by contractual agreements with outside parties) on how they may be used, and therefore are not available for general spending at the discretion of the County.

- *Unrestricted net position* represents amounts not included in other categories.

On the Balance Sheet-Governmental Funds, assets in excess of liabilities are reported as fund balances and are segregated into separate classifications indicating the extent to which the County is bound to honor constraints on specific purposes for which those funds can be spent.

Fund balance is reported as *Nonspendable* when the resources cannot be spent because they are either in a nonspendable form or are legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, certain long term contracts/ notes receivable, and prepaid items.

Fund balance is reported as *Restricted* when the constraints placed on the use of resources are either: (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, the County's policy is to use restricted resources first and then unrestricted resources, as needed.

Fund balance is reported as *Committed* when the Board of County Commissioners (the government's highest level of decision-making authority) adopts a resolution that places specific constraints on how the resources may be used. Once adopted, the commitment remains until it is modified or rescinded by the adoption of a new resolution by the Board of County Commissioners.

Amounts in the *Assigned* fund balance category do not meet the criteria to be classified as committed, and are generally more temporary in nature. In other words, additional action does not need to be taken to remove the assignment. *Assigned* fund balance is reported when the intent to use funds for a specific purpose is formally expressed by the Board of Commissioners.

The County's current policy only addresses restricted and unrestricted resources (as stated above). Without a written policy, the County considers that committed amounts will be used first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The *Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position* explains differences between *fund balance – total governmental funds* and *net position – governmental activities*. One element of reconciliation explains that "long-term liabilities that are not due and payable in the current period are not reported in the funds". The details of this $162,135,190 can be found in note *# 12 – changes in Long Term Liabilities*, in this note disclosure section of the report.

Another element of this reconciliation explains "unavailable inflows of revenue are deferred in the fund statements, but are reported as current year revenues in the statement of net position." The details of this $14,366,024 are as follows:

Unavailable revenue-property taxes	7,937,364
Unavailable revenue-special assesssments	18,515
Unavailable revenue-court	6,410,145
	14,366,024

Another element of this reconciliation explains "accrued liabilities that are not due and payable in the current period are not reported in the funds, however, they are recorded in the statement of net position." The details of this ($7,414,688) follow:

Accrued Interest payable on debt	(853,000)
Impact Fee credits held by developers	(6,561,688)
	(7,414,688)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

One element of the reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* explains that "Governmental funds report capital outlay as expenditures… In the statement of activities the cost of these assets is capitalized and depreciated over the period of the asset's useful life. When capital assets are disposed of the difference between original cost less depreciation and the proceeds is booked as a gain or (loss) on the sale." The details of this $5,404,076 difference are as follows:

Capital outlay	$	32,735,403
Depreciation expense		(35,974,674)
Disposition of capital assets		(2,164,805)
Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net position of governmental activities	$	(5,404,076)

Another element explains that "Governmental funds report revenue in the current period for unearned and/or deferred in prior periods… Government-wide statements record revenues at the time they are earned." The break-down of the change in deferred revenues for 2013 in the amount of $(1,947,006) follows:

Property tax (and associated interest and penalty) receivable	$ (1,689,000)
Court payments receivable	103,800
Miscellaneous receivables	(33,369)
Impact fee credits	(476,662)
Increase in OPEB contributions in excess of liabilitiy	148,225
Net adjustment to redcuce net change in fund balance – total governmental funds to arrive at change in net position of governmental activities	$ (1,947,006)

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

There are two non-major governmental funds with a deficit fund balance at December 31, 2013:

- The *Event Center Special Revenue Fund* reports a deficit of $55,406. Exhibition hall rental events and other non-fair events have been less than expected during 2013. The deficit decreased from a $959,539 deficit at 12/31/2012, due partly to a cash transfer from the General Fund in 2013, and partly to Clark County Fair profits. The County anticipates that by the end of 2014 this fund will have a positive fund balance.

- The *Jail Commissary Fund* reports a deficit of $99,101, the result of a timing issue in funding transfers. The timing issue with funds will be cleared up in 2014.

There are three proprietary type internal service funds with deficit net position at December 31, 2013:

- *Central Support Services Internal Service Fund* reports a deficit of $997,365. The deficit increased from a $602,564 deficit at 12/31/2012. A plan to improve operations during the 2015-2016 budget cycle is being addressed by the County's budget office.

- *General Liability Insurance Internal Service Fund* has a deficit net position of $2,412,758, after recognizing an actuarial determined liability for claims and judgments payable. The County does not have a special reserve in this fund for this liability. The County is reviewing the internal cost allocation plan and will collect the annual funding needed per the current actuary review. If additional funding is needed, the County has the ability to complete supplemental budgets and can reallocate additional resources to this fund. For specific judgments, the County can look to the funds and departments where the action related to the judgment originated, for satisfaction of the judgment. For large, unique needs the County has the ability to borrow or tax to meet these obligations, and the General Fund reserves may be used for exceptional judgment satisfaction.

- *Workers' Compensation Insurance Internal Service Fund* has a deficit net position of $2,863,334, down from $3,498,072 at 12/31/2012. In 2012, the County booked a $4 million liability for claims and judgments, which created the deficit balance. The County has other options for funding exceptional workers compensation claims, including looking to General Fund reserves or fund balance transfers from the fund in which the injured employee is assigned.

NOTE 4 - *DEPOSITS AND INVESTMENTS*

The Clark County Treasurer (Treasurer) is empowered by the State of Washington to act as the fiduciary agent for the County (as Treasurer) and other junior taxing districts (as ex-officio Treasurer), which includes the receipt, deposit and prudent investment of public funds as legally prescribed by the laws of the State.

Deposits

Cash on hand, demand deposits, and short-term investments with original maturity of three months or less (money market accounts) are classified as cash and cash equivalents. Deposits consist of cash and cash equivalents on deposit with the Treasurer. As of December 31, 2013, the book value of deposits was $108,165,522 and the bank balance was $108,356,149.

All receipts received by the Treasurer are deposited into qualified bank depositories as specified by the Washington Public Deposit Protection Commission. All of the deposits are either covered by federal depository insurance or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission. On February 18, 2009, the Washington Public Deposit Protection Commission adopted Resolution 2009-1 requiring public depositaries to collateralize their uninsured public deposits at 100 percent. The Office of the Washington State Treasurer (OST) also adopted new rules to allow Reciprocal Deposit Programs (such as CDARS) to provide governments options to invest larger sums in CDs but in a way that is fully insured by the FDIC.

Investments

Investments may be made in the form of commercial paper, banker's acceptances, U.S. Treasury bills and notes, and certain other government agency obligations. County policy dictates that all investment instruments other than non-negotiable certificates of deposit and monies placed with the Washington State Local Government Investment Pool and similar money market accounts be transacted on the delivery versus payment basis.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Treasurer manages exposure to declines in fair values from interest rates by limiting the weighted average maturity of its investment portfolio to maturities that will fulfill the cash flow needs of Clark County and its junior taxing districts. The securities in the portfolio are managed in a manner that ensures sufficient cash is available to meet anticipated cash flow needs, based on historical information. Any cash in excess of that necessary to meet anticipated liquidity needs is invested with the following maturity limitations:

Type of Security	Maximum Maturity
Any single security (unless matched to a specific cash flow requirement)	5 years
Repurchase and Reverse Agreements	90 days
Commercial Paper	180 days
Banker’s Acceptances	185 days
Forward Delivery Agreement	3 years

Further, the maximum weighted average maturity of the External Investment Pool cannot exceed one and one half years.

Credit Risk
Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To limit risk, State law does not allow general governments to invest in corporate equities. The State law and County policy further limits such risk by placing the following credit standards on securities:

Type of Security	Credit Standards[1]
Banker's Acceptances	A1/P1
Commercial Paper	A1/P1 and "A" or equivalent
Repurchase Agreements and Reverse Repurchase Agreements	"A" if maturity is less than one week, or "AA" if maturity is greater than one week
Securities Lending Agreements	Long term rating of "A" or equivalent
Deposit Notes	A1/P1 and "AA" or equivalent
WA State Municipal Bonds	"A" or equivalent

The ratings of debt securities, U.S. Treasuries (AAA)* and the following agencies as of December 31, 2013 are:

Debt Security	S&P Rating
Fannie Mae (Federal National Mortgage Association)	AA+
Freddie Mac (Federal Home Loan Mortgage Corporation)	AA+
Federal Home Loan Bank	AA+
Federal Farm Credit Bank	AA+

Money Market Like Fund - 2(a)7	S&P Rating
Washington State Investment Pool	Not Rated

* Split rating Moody's "Aaa", S&P "AA+" for US Treasuries and Agencies.

Concentration Risk
Concentration risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Treasurer's policy requires that the portfolio be structured to diversify investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer or a specific type of security. U.S. Treasuries and Federal Agencies, that have fixed rates, are not limited because they carry little credit risk. The specific limits of each eligible security are described below:

1) No more than 5% of the portfolio value will be invested in the securities of any single issuer with the following exceptions:
    a. US government obligations are not limited
    b. US agency obligations are limited to 25% per issuer
    c. Repurchase agreement counterparties are limited to 20% per overnight or 10% if greater than one day
    d. Non-negotiable certificates of deposit are limited to 10% per issuer
2) Limited to no more than 25% in either Commercial Paper or Banker's Acceptances
3) Limited to no more than 10% in Federal Agency Variable Rate Notes
4) Limited to no more than 100% in a the Washington State Local Government Investment Pool or 65% in Municipal Investment Accounts
5) Limited to no more than 15% in Mutual Funds Qualified & Registered with Washington State
6) Limited to no more that 20% in Washington state municipal bonds
7) Limited to no more that 25% in deposit notes

8) Limited to no more than 25% in securities lending agreements
9) Limited to no more than 10% of the portfolio value in reverse repurchase agreements
10) Repurchase agreements are limited to no more than 100% overnight or 30% if maturity is greater than 30 days
11) The amount of exposure from non-negotiable certificates of deposits (in or outside of the CDARS program) and/or flexible certificates of deposits is limited to no more than 40% of the total portfolio

All of the above credit standards are as of the time of purchase.

The Treasurer has several investments in government sponsored and other private enterprises that are not explicitly backed by the federal government. However, the U.S. government has moved to more explicitly support the soundness of the obligations of Freddie Mac and Fannie Mae, starting in July, 2008, via the Housing and Economic Recovery Act 2008, and the September 7, 2008, Federal Housing Finance Agency (FHFA conservatorship of both government sponsored enterprises (GSEs)). Those securities that exceed 5% of the total investment portfolio market value are disclosed below:

Issuer	% of Investment Portfolio
Federal Home Loan Bank	11.15%
Federal Home Loan Mortgage Corp	22.93%
Federal Farm Credit Bank	9.51%
US Treasury	11.42%
Federal National Mtg Associatin	23.92%
Wash State LGIP	16.07%

Equity in Pooled Investments

County monies are invested by certain individual funds for the benefit of the respective fund in the Clark County Investment Pool. Remaining County monies are aggregated in a residual account, and invested in the pool for the benefit of the General fund.

Pooled investments during 2013 included Certificates of Deposit, Federal Agencies, US Treasury bonds, Washington State Local Government Investment Pool and money market accounts. The book value of the County Pool on December 31, 2013 was $521,680,235 of which $12,091,696 is classified as deposits.

As of December 31, 2013, the County had the following investments, shown at fair value:

Investment Type	Fair Value	Weighted Average Maturity (Years)
US Treasuries	$ 60,017,000	1.983
Federal Agencies - Semi Annual	353,911,100	1.269
Municipal Bonds	11,917,670	0.928
Wash State LGIP	82,932,804	0.003
Umpqua Bank	12,091,696	0.003
	$ 520,870,270	
Portfolio weighted average maturity		1.038

As required by state law, all investments made by the Treasurer’s office are obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, commercial paper or certificates of deposit with

Washington State banks and savings and loan institutions. All investments are stated at fair value.

Outside Investments (Non-Pooled)

Certain fund managers or entities direct the Treasurer to invest funds into specific investment maturities outside of the Investment Pool. On December 31, 2013, the following specific investments were held outside the pool:

Investment Type		Book Value	Fair Value
Wash State LGIP	$	1,497,338	1,497,338
US Treasury Securities		2,121,050	2,121,050
Umpqua Bank		50,000	50,000
	$	3,668,388	3,668,388

Total Cash, Cash Equivalents and Pooled Investments

Total cash, cash equivalent and investment carrying value on December 31, 2013 were $539,090,382 for both pooled and non-pooled investments.

A reconciliation of cash, cash equivalents and pooled investments and investments as shown on the fund statements is as follows:

Fair Value of Pooled Investments		520,870,270
Fair Value of Investments Out of Pool		3,668,388
	$	539,090,382
Cash, cash equivalents, pooled investments	$	159,454,133
Non-pooled investments		1,547,338
Cash, cash equivalents, pooled investments - component unit		114,317
Cash, cash equivalents, pooled investments - fiduciary		375,853,544
Investments - fiduciary		2,121,050
	$	539,090,382

Clark County Investment Pool

The Treasurer administers and maintains an Investment Pool (the Pool) for County and other jurisdictional governments within the County. This Pool currently has an average maturity of approximately seven months.

The Treasurer's Office uses "Bloomberg", an on-line financial services system to determine the fair market value of securities purchased on behalf of the Clark County Investment Pool (Pool). If Bloomberg does not price a particular security, the Treasurer's Office obtains three quotes from broker/dealers to determine the fair market value of the security on the specified date. Bloomberg has a pricing model called "Bloomberg Fair Value" (BFV), which establishes an investment's theoretical value, based on where similar bonds, as defined by credit quality and market sector, have traded. This value is not based on market price. BFV incorporates an option adjusted spread methodology in deriving the theoretical value.

The Treasurer's Office does not report any securities at amortized cost. All securities are reported using the security's fair market value. The Pool is not SEC-registered. Authority to manage the Pool is derived from the Revised Code of Washington (RCW) in RCW 36.29.022.

Regulatory oversight is provided by the County Finance Committee, which by statute consists of the Treasurer, the Auditor, and the Chair of the Board of County Commissioners. The committee approves the investment policy and makes all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060.

The Treasurer's Office currently uses an investment advisor. During 2013, the Treasurer contracted with Davidson Fixed Income Management, Inc. to review the investment portfolio and assist with the portfolio strategy on a quarterly basis. The Treasurer's Office uses an

Intergovernmental Investment Pool Committee that is made up of all of the pool participants from the junior taxing districts within Clark County. This committee meets on a quarterly basis and assists in sharing information with pool members regarding the Pool's strategy. The Treasurer's Investment Strategy Committee is made up of the Treasurer, Deputy Treasurer, Investment/ Debt Manager, and Investment Officer, within the Treasurer's Office who meet weekly to discuss investment strategies, economic conditions analysis of yield curve shifts, possible Federal Reserve Board actions, cash flow forecasts, and spreads on various securities. This committee also monitors the fair market value of the Pool and the Net Asset Value.

Participation in the Pool is voluntary. All participants have the option of investing in the Pool, or requesting specific investment amounts and maturity dates for investments outside the Pool. The Treasurer provides monthly fair value investment reports on a fund level to all participants through footnote disclosures. This information is based on the Net Asset Value of each share in the Pool relative to each fund's month-end investment balance. For 2013, the Treasurer's Office reported an unrealized loss of $809,965 ($208,009 gain amortized) on December 31 on a cash basis of which participants would receive if the Pool was liquidated on that date in proportion to their weighted average shares in the pool.

An inter-local agreement is entered into with each pool participant that allows the Clark County Treasurer's Office to invest their funds in the Pool. There are no specific legally binding guarantees given to participants to support the value of the shares. Separate financial statements are not prepared for the Clark County Investment Pool. Condensed financial statements for the Clark County Investment Pool are presented below:

Clark County Investment Pool

Condensed Statement of Net Position Year Ended December 21, 2013		
Assets		
Cash, cash equivalents and pooled investments	$	520,870,270
Accrued Interest Receivable		598,089
Total Assets	$	521,468,359
Liabilities		0
Total Liabilities		0
Net position held in trust for pool participants	$	521,468,359

Investment yields ranged from 0.29% to 0.44%, and averaged 0.38% for the year. The average monthly maturity ranges from 271 to 465 days.

Clark County Investment Pool Condensed Statement of Changes in Net Position Year Ended December 31, 2013		
Changes in net position resulting from operations	$	1,565,377
Distributions to participants		(1,565,377)
Changes in net position resulting from depositor transactions		10,435,402
Net Position		
Beginning of Year	$	511,032,957
End of Year		
Private Purpose Trust Fund	$	66,538
Internal Funds		170,494,051
External Funds		350,907,770
Total net position	$	521,468,359

The external funds pooled investments and the private purpose trust fund are reported on the Statement of Fiduciary Net Position (in the Basic Financial Statements section of the CAFR), while the internal pooled investments are reported in the various funds statements throughout the CAFR.

NOTE 5 - PROPERTY TAXES

The County Treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities such as the State of Washington, cities and towns within the county, and school, fire, cemetery, library and port districts. Property taxes are recorded as receivables and deferred inflows of resources when levied. Property taxes are levied and become an enforceable lien against properties as of January 1. The assessed value of property is established in October for the ensuing year. Levy and tax payments are payable in two installments on April 30th and October 31st. Delinquent property taxes accrue interest at twelve percent per annum and are assessed a penalty between three and eleven percent, depending on the duration of delinquency. No allowance for uncollectible taxes is established since delinquent taxes are considered fully collectible.

Regular property tax levies are subject to rate and amount limitations, as described below, and to uniformity requirements of Article VII, Section 1 of the State Constitution, which specifies that a taxing district must levy the same rate on similarly classified property throughout the district. Aggregate property taxes vary within the County because of its different and overlapping taxing districts.

The Washington State Constitution and Washington State law, RCW 84.55.010, limit the levy rate as follows: The Washington State constitution limits the total regular property taxes to one percent of true and fair value or $10 per $1,000 of value. If the taxes of all districts exceed this amount, each district except Port Districts and Public Utility Districts, is proportionately reduced until the total is at or below the one percent limit. The regular property tax increase limitation (chapter 84.55 RCW) limits the total dollar amounts of regular property taxes levied by an individual taxing district to the amount of taxes levied in the highest of the three most recent years multiplied by a limit factor, plus adjustment to account for taxes on new construction at the previous year's rate. The limit factor is the lesser of 101 percent or 100 percent plus inflation.

In addition, statutory dollar rate limits are specified for regular property tax levy rates for most types of taxing districts under RCW 84.52.043. The County may levy up to $1.80 per $1,000 of assessed valuation for general governmental services. The County's regular levy for 2013 was $1.575 per $1,000 on assessed valuation of $35.67 billion for a total regular levy of $56.2 million. In addition, the County has a levy for Conservation Futures that was $0.063 per $1,000 of assessed valuation of $35.67 billion, for a total levy of $2.2 million in 2013.

The County is also authorized to levy $2.25 per $1,000 of assessed valuation in unincorporated areas for road construction and maintenance. This levy is subject to the same limitations as the levy for general government services. The County's road levy for 2013 was $2.16 per $1,000 on an assessed valuation of $16.6 billion for a total road levy of $35.8 million.

Clark County has a special levy that was approved by the voters which is not subject to the limitations listed above. In 2013, the County had an additional $0.16 per $1,000 for metropolitan parks for a total additional levy of $1.7 million.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, not being depreciated/amortized				
Land - restated*	$ 284,102,698	$ 5,847,794	$ 660,313	$ 289,290,179
Infrastructure-restated*	30,856,536	392,304	-	31,248,840
Intangible assets - easements	64,789	10,860	-	75,649
Construction in progress	21,382,176	29,538,852	6,334,598	44,586,430
Total capital assets, not being depreciated/amortized	336,406,199	35,789,810	6,994,911	365,201,098
Capital assets, being depreciated/amortized:				
Buildings-restated*	149,328,053	58,764	1,588,529	147,798,288
Improvements other than buildings-restated*	111,548,561	1,540,394	-	113,088,955
Machinery and equipment-restated*	48,380,594	3,747,511	3,919,507	48,208,598
Intangible assets - software	17,799,782	493,702	348,104	17,945,380
Infrastructure-restated*	643,626,216	10,867,298	1,189,198	653,304,316
Total capital assets being depreciated/amortized	970,683,206	16,707,669	7,045,338	980,345,537
Less accumulated depreciation/amortization for:				
Buildings-restated*	62,274,370	2,330,847	1,165,900	63,439,317
Improvements other than buildings-restated*	34,268,309	4,098,385	0	38,366,694
Machinery and equipment-restated*	32,283,899	2,904,665	3,462,866	31,725,698
Intangible assets - software	9,500,339	1,617,428	304,125	10,813,642
Infrastructure- restated*	17,492,019	26,970,265	552,221	43,910,063
Total accumulated depreciation/amortization	155,818,936	37,921,590	5,485,112	188,255,414
Total capital assets, being depreciated/amortized, net	814,864,270	(21,213,921)	1,560,226	792,090,123
Governmental activities capital assets, net	$ 1,151,270,469	$ 14,575,889	$ 8,555,137	$ 1,157,291,221

Depreciation/amortization expense was charged to functions as follows:	
General governmental services	$ 3,685,683
Judicial	616,263
Public safety	810,073
Physical environment	69,041
Transportation	27,047,311
Economic environment	6,453
Health and human services	1,142,458
Culture and recreation	2,597,392
	35,974,674
Depreciation/amortization on capital assets held by the County's internal service funds is charged to various functions based upon their usage.	1,946,916
Total governmental activities depreciation/amortization expense	$ 37,921,590

*Capital Assets are restated due to:

1) The Tri Mountain Golf O&M Special Revenue Fund being reclassified as an Enterprise Fund in 2013
2) Road infrastructure no longer using the modified approach, resulting in the assets now being depreciated
3) Prior period private contributions of land and equipment

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets, not being depreciated/amortized				
Land - restated*	$ 35,005,319	$ 630,214	$ 0	$ 35,635,533
Infrastructure	62,432,424	4,436,418	-	66,868,842
Construction in progress	3,942,866	928,662	3,515,918	1,355,610
Total capital assets, not being depreciated/amortized-restated*	101,380,609	5,995,294	3,515,918	103,859,985
Capital assets, being depreciated/amortized:				
Buildings- restated*	20,062,376	0	-	$ 20,062,376
Improvements other than buildings-restated*	102,028,583	-	-	102,028,583
Machinery and equipment-restated*	1,113,564	27,045	102,392	1,038,217
Infrastructure-restated*	34,107,457	-	0	34,107,457
Total capital assets being depreciated/amortized-restated*	157,311,980	27,045	102,392	157,236,633
Less accumulated depreciation/amortization for:				
Buildings-restated*	2,509,804	437,822	0	2,947,626
Improvements other than buildings-restated*	22,003,028	1,826,347	0	23,829,375
Machinery and equipment-restated*	856,073	52,095	92,152	816,016
Infrastructure-restated*	8,050,859	704,998	0	8,755,857
Total accumulated depreciation/amortization-restated*	33,419,764	3,021,262	92,152	36,348,874
Total capital assets, being depreciated/ amortized, net-restated*	123,892,216	(2,994,217)	10,240	120,887,759
Business-type activities capital assets, net-restated*	$ 225,272,825	$ 3,001,077	$ 3,526,158	$ 224,747,744

Depreciation/amortization expense was charged to functions as follows:

Golf Course	52,198
Sanitary Sewer	$ 2,930,515
Solid Waste	33,391
Clean Water	5,158
Total business-type activities depreciation/amortization expense	$ 3,021,262

*Capital Assets are restated for:

1) The Tri Mountain Golf O&M Special Revenue Fund being reclassified as an Enterprise Fund in 2013
2) Prior period private land contribution
3) Prior period correction of accumulated depreciation between machinery and infrastructure categories

NOTE 8 – RECEIVABLE BALANCES

Accounts receivable as of December 31, 2013 for the County's individual major funds, nonmajor funds and internal service funds are shown in the following table.

	Taxes	Accounts	Special Assessments	Due from other Governments	Interest and Penalties on Taxes & Assessments	Total
Governmental activities						
General Fund	$ 4,542,224	$ 11,419,808	$ -	$ 1,091,550	$ 5,147,720	$ 22,201,302
Country Roads	1,168,507	4,729,652	-	4,815,015	-	10,713,173
Community Service Grants	-	249,617	-	843,658	-	1,093,276
Nonmajor Govrnmental	4,187,763	1,149,680	-	4,555,767	-	9,893,210
Internal Service	-	1,079,061	-	1,318	-	1,080,379
Total governmental activities	$ 9,898,494	$ 18,627,818	$ -	$ 11,307,308	$ 5,147,720	$ 44,981,339
Business-Type Activities						
Sanitary Sewer	-	17,032	-	-	19	17,051
Clean Water	-	-	361,890	196,713	-	558,603
Nonmajor Enterprise	-	272,300	-	284,113	-	556,413
Total Business-Type Activities	$ -	$ 289,332	$ 361,890	$ 480,826	$ 19	$ 1,132,067
Total Gross Receivables	**$ 9,898,494**	**$ 18,917,150**	**$ 361,890**	**$ 11,788,134**	**$ 5,147,739**	**$ 46,113,407**

Deferred Inflows of Resources

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period. Governmental funds also postpone revenue recognition in connection with resources that have been received, but not yet earned. At the end of the year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes rec (General Fund)	$ 1,605,267	
Interest/penalties receivable (General Fund)	5,147,721	
Court receivable (General Fund)	6,410,145	
Property taxes receivable (Road Fund)	1,000,819	
Property taxes receivable (Mental Health Fund)	13,624	
Property taxes receivable (other governmental funds)	169,933	
Miscellaneous revenues received but not yet earned		1,853,354
Telephone revenue & other miscellanoeus (General Fund)	-	47,947
Delinquent special assessments not yet due	18,515	
Grants received prior to meeting all eligibility requirements		638,590
Total deferred revenue and unearned revenue for governmental funds.	$ 14,366,024	$ 2,539,891

NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, ADVANCES AND TRANSFERS

Interfund transactions (receivables and payables) usually involve the exchange of goods and services between funds in a normal business relationship. These accounts are generally paid in full the month following the billing date. The composition of interfund accounts receivables at December 31, 2013 is shown in the following table.

	Due to								
Due From	General Fund	Road Rund	Community Services Grants	Nonmajor Governmental	Sanitary Sewer	Clean Water	Nonmajor Enterprise	Internal Service	Total
General Fund	49	10,503	114	1,126,534	714	56,267	1,174	54,535	1,249,890
County Road	2,266			60,508				17,516	80,290
Community Services Grants				78,128					78,128
Nonmajor Governmental	1,080,966	42		763,151				431,956	2,276,115
Sanitary Sewer	65	2,595							2,660
Clean Water	465	35,943		4,713					41,121
Nonmajor Enterprise	916					37,434			38,350
Internal Service Funds	227,192	432,023		254,247	4,085	1,993	182	58,562	978,284
Total	$ 1,311,919	$ 481,106	$ 114	$ 2,287,281	$ 4,799	$ 95,694	$ 1,356	$ 562,569	$ 4,744,838

In 2013, there was one short-term advance between funds. The County's General Fund shows a $55,722 advance (funded by the permanent reserve) to the Tri-Mountain Golf O&M Proprietary Fund. This advance was approved by resolution in December 2013. It carries an interest rate based on the rate charged on the County's existing line of credit until the loan is repaid, which shall be no later than December 31, 2014.

In 2012 the Metropolitan Parks District Special Revenue Fund advanced $3,000,000 to the Parks Dedicated ¼% REET Capital Projects Fund. This transfer was approved by resolution in December 2012. It carries an interest rate, based on the General Fund line of credit rate, until paid. The resolution calls for the advance to be paid in full prior to December 31, 2015.

Interfund transfers represent subsidies and contributions with no corresponding debt or promise to repay. The purpose of General Fund transfers is to subsidize operating activities within other funds, to fund capital project activities, and for debt service. Transfers from other funds are generally for debt service and sales tax transfer for law and justice programs. Interfund transfers between individual major funds, nonmajor governmental, nonmajor enterprise, and internal service funds during the year ended December 31, 2013 are as follows:

	Transfers In						
Transfers Out	General Fund	Road Fund	Comm Services	Nonmajor Governmental	Nonmajor Enterprise	Internal Service Funds	Total
General Fund		300,000	1,364,784	6,843,247		5,697,691	14,205,722
Road Fund				1,785,016			1,785,016
Comm. Service				245,869			245,869
Clean Water					180,410		180,410
Nonmajor Governmental	12,235,897	2,498,933		18,106,716		3,052,084	35,893,630
Internal Service Funds	54,100					507,175	561,275
Total transfers	12,289,997	2,798,933	1,364,784	26,980,848	180,410	9,256,950	52,871,922

There were approximately $8.4 million in routine transfers out from the General Fund to subsidize operations of other funds. The General Fund transferred $1.2 million for debt service in 2013. There were also several one-time General Fund transfers in 2013, including, $0.5 million for technology upgrades and projects, $1.0 million to the Event Center Fund, and $1.5 million to the Health Fund for various programs.

The General Fund received $12 million for law and justice programs from non-major special revenue sales tax funds, and approximately $250,000 from other funds for reimbursement of certain program costs.

The County Road Fund transfers in included $2.5 million from the non-major capital project Development Impact Fee Fund for road improvements, and $0.3 million from the General Fund for engineering work. The Road Fund transferred out approximately $1.8 million for debt service.

Non-major special revenue funds collecting sales tax revenues earmarked for mental health and chemical dependency transferred $3.6 million to Mental Health Fund ($1.5), and Substance Abuse non-major special revenue fund ($2.1 million). In addition, about $11.9 million was transferred from various non-major funds for debt service payments. The non-major Campus Development Fund transferred $3.0 million to the internal service Central Support Services Fund for reimbursement of maintenance and utilities costs.

NOTE 10 – LEASES

A. Operating Leases Payable

The County is committed under various leases for buildings, office space, and other equipment. Such leases are considered to be operating leases for accounting purposes. Lease expenditures for the year ended December 31, 2013 amount to approximately $1,240,000. The future minimum lease payments for these leases are:

December 31	Amount
2014	$1,218,000
2015	$1,218,000
2016	$1,218,000
2017	$1,218,000
2018	$1,218,000
Total	$6,090,000

B. Operating Leases Receivable

The County currently leases some of its property to various tenants under long-term, renewable, and non-cancelable contracts. The following is an analysis of the County's investment in property under long-term, non-cancelable operating leases as of December 31, 2013:

	Governmental Activities
Land	$1,322,100
Buildings	44,484,402
Less accumulated depreciation	(12,479,373)
	$33,327,129

The following is a schedule of minimum future lease receipts on non-cancelable operating leases based on contract amounts and terms as of December 31, 2013.

December 31	Amount
2014	2,891,000
2015	2,603,000
2016	2,603,000
2017	2,588,000
2018	2,593,000
Total	$13,278,000

C. Capital Leases

The County entered into a lease agreement in 2002 as lessee for financing energy, plumbing and lighting savings improvements in various county buildings, with an interest rate 4.34%. The leased assets and related obligations are accounted for in the statement of net position. The net capital lease amount shown below reflects the assets continuing to be financed through the capital lease. This lease agreement qualifies as a capital lease for accounting purposes, and has been recorded at the present value of the future minimum lease payments as of the inception date. The minimum capital lease payments reflect the remaining capital obligations on these assets.

	Capital Assets Governmental Activities	Capital Lease Payable Governmental Activities
Building Improvements	$ 1,318,500	$ 137,440
Less: Accumulated Depreciation	(717,009)	
	$ 601,491	$ 137,440
Minimum Capital Lease Payments:		
2014		$ 141,929
Total Minimum Lease Payments		141,929
Less: Interest		(4,489)
Present Value of Minimum Lease Payments		$ 137,440

The County entered into a lease agreement in 2008 as lessee for financing energy, plumbing and lighting savings improvements in various county buildings, with an interest rate 4.19%. The leased assets and related obligations are accounted for in the Statement of Net Position. The net capital lease amount shown below reflects the assets to be financed through the capital lease. This lease agreement qualifies as a capital lease for accounting purposes, and has been recorded at the present value of the future minimum lease payments as of the inception date. The minimum capital lease payments reflect the remaining capital obligations on these assets.

	Governmental Activities	Governmental Activities
Building Improvements	$ 7,738,718	$ 6,790,773
Less: Accumulated Depreciation	(1,857,292)	
	$ 5,881,426	$ 6,790,773

Mininum Capital Lease Payments:	
2014	482,595
2015	507,542
2016	522,284
2017	544,676
2018	568,761
2019-2023	3,228,873
2024-2028	3,479,515
Total Minimum Lease Payments	9,334,246
Less: Interest	(2,543,473)
Present Value of Minimum Lease Payments	$ 6,790,773

NOTE 11 – LONG-TERM DEBT

A. General Obligation Bonds

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. The beginning balance of unmatured debt in 2013 was $107,155,000. During the year, bonds were issued in the amount of $10,000,000 to satisfy a legal settlement against the County.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

Description	**Amount Outstanding**
$5,395,000 2003 Limited Tax General Obligation Refunding Bonds due in annual installments of $60,000 to $615,000 through 2016; interest from 2.0% to 4.1%. This issue is being serviced by the Capital Project Real Estate Excise Tax Fund and the Emergency Services Communications System Special Revenue Fund. This issue refunded portions of 1996A and 1996B LTGO issues.	$1,420,000
$55,620,000 2004 Limited Tax General Obligation bond installments of $500,000 to $3,845,000 were initially due in installments through 2034; interest from 3.0% to 5.25%. The issue was partially refunded in 2012 with the remaining amount to be paid in full in 2014. This debt is being serviced by the General Fund, Real Estate Excise Tax Capital Fund, the Exhibition Hall Dedicated Special Revenue Fund, the Campus Development Special Revenue Fund and the Conservation Futures Capital Project Fund.	$1,725,000
$24,985,000 2005 Limited Tax General Obligation Refunding bonds due in annual installments of $80,000 to $2,225,000 through 2027; interest from 3.0% to 5.0%. The Conservation Futures Capital Fund, Real Estate Excise Tax Capital Fund, General Fund, Economic Development REET Capital Projects Fund, and Campus Development Special Revenue Fund service this issue. This issue refunded portions of 1997, 1998, and 1999B LTGO issues.	$14,895,000
$5,715,000 2005B Limited Tax General Obligation bonds due in annual installments of $80,000 to $345,000 through 2035; interest from 3.7% to 6%. The Campus Development Special Revenue Fund services this issue.	$4,940,000

\$36,285,000 2006 Limited Tax General Obligation Refunding bonds due in annual installments of \$290,000 to \$3,025,000 through 2026; interest from 4.0% to 5.0%. This issue is being serviced by the Real Estate Excise Tax Capital Fund, the Campus Development Special Revenue Fund, and the General Fund. This issue refunded portions of 1999A and the 2001 LTGO issues.	\$33,240,000
\$45,595,000 2012 Limited Tax General Obligation Refunding bonds due in annual installments of \$265,000 to \$3,815,000 through 2034, interest from 3% to 5.250%. This is being serviced by the Health District Campus Facility Capital Projects Fund, the Exhibition Hall Dedicated Special Revenue Fund and the Conservation Futures Capital Project Fund. This issue refunded portions of the 2003A and 2004A LTGO issues.	\$44,775,000
\$10,000,000 2013 Limited Tax General Obligation bonds due in annual installments of \$1,529,625 and \$1,533,252 through 2020, interest at 1.850%. This is being serviced by the General Fund. This issue funded a legal settlement awarded against the County.	\$10,000,000
Grand total	**\$110,995,000**

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Governmental Activities	
Year Ending December 31	Principal	Interest
2014	6,877,328	4,760,432
2015	7,003,547	4,450,361
2016	7,684,823	4,133,794
2017	7,731,158	3,797,910
2018	8,092,550	3,458,852
2019-2013	33,140,742	12,714,433
2024-2028	31,054,852	4,862,707
2029-2033	7,440,000	1,252,150
2034-2035	1,970,000	91,225
Totals	\$ 110,995,000	\$ 39,521,864

B. <u>Advance Due to Other Governments</u>

The County has ten low-interest (.5% and 2%) loans from the State Department of Community Development Public Works Trust Fund that will be repaid within 20 years in annual installments on each loan ranging from \$49,500 to \$159,032. The funds from these loans were used for county road projects. These loans will be paid back by the County Roads Fund.

The County also has a loan from the State Department of Ecology that will be repaid within 20 years at \$25,947 each year. The funds from this loan were used for a Habitat Protection and Runoff Control Project on Upper Whipple Creek. This operating loan will be paid back by the Clean Water enterprise Fund.

Advances Due to Other Governments for debt service requirements to maturity are as follows:

	Governmental Activities		Business-type Activities	
Year Ending December 31	Principal	Interest	Principal	Interest
2014	1,661,383	104,982	15,655	11,292
2015	1,661,383	96,675	16,115	10,832
2016	1,661,383	88,368	16,589	10,358
2017	1,661,383	80,061	17,077	9,871
2018	1,661,383	71,754	17,578	9,369
2019-2023	7,853,875	234,166	95,951	38,784
2024-2028	4,196,251	75,277	110,904	23,831
2029-2032	639,283	6,393	101,043	6,745
Totals	\$ 20,996,324	\$ 757,676	\$ 390,912	\$ 121,082

C. Prior Year Defeasance of Debt

In prior years, the County defeased certain sewer revenue and general obligation bonds by placing the proceeds of the new bonds and/or cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for defeased bonds are not included in the County's financial statements. At December 31, 2013, $42,920,000 of bonds outstanding is considered to be defeased.

D. Arbitrage Rebate Liability

The Tax Recovery Act of 1986 established regulations for rebate of arbitrage earning to the federal government on certain local government bonds. Issuing governments must calculate annually any rebate due and remit the amount due at least every five years. The County has a cumulative negative rebate amount for its bonds. No liability was recorded at December 31, 2013.

NOTE 12 – CHANGES IN LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance	New Issues	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Governmental Funds-					
Bonds payable					
General obligation bonds	$ 107,155,000	$ 10,000,000	$ 6,160,000	$ 110,995,000	$ 6,877,328
Less deferred amounts:					
For issuance discounts/premiums	8,483,885	0	554,660	7,929,225	554,660
On refunding	(6,715,875)	0	(532,844)	(6,183,031)	(532,844)
Total bonds payable	108,923,010	10,000,000	6,181,816	112,741,194	6,899,144
Capital lease	7,202,773	0	274,560	6,928,213	339,241
Advances due to other governments	18,108,918	4,548,792	1,661,383	20,996,327	1,661,383
Landfill remediation liability	5,989,049	2,203,066	0	8,192,115	0
Other post employee benefits	960,476	180,602	90,643	1,050,435	0
Compensated absences	11,901,912	10,806,437	10,481,443	12,226,906	802,774
Total Governmental Funds	$ 153,086,138	$ 27,738,897	$ 18,689,845	$ 162,135,190	$ 9,702,542
Internal Service Funds					
Claims and judgments	7,814,248	2,869,726	2,225,029	8,458,945	1,778,763
Compensated absences	619,857	574,070	548,032	645,895	67,399
Total Internal Service Funds	8,434,105	3,443,796	2,773,061	9,104,840	1,846,162
Total Governmental Activities	$ 161,520,243	$ 31,182,693	$ 21,462,906	$ 171,240,030	$ 11,548,704

Business-type activities	Beginning Balance	New Issues	Retirements	Ending Balance	Due Within One Year
Advance due to other governments	371,710	21,770	2,568	390,912	15,655
Claims and judgments	0	3,600,000	0	3,600,000	600,000
Compensated absences	413,357	343,846	326,249	430,954	13,768
Total Business-type Activities	$ 785,067	$ 3,965,616	$ 328,817	$ 4,421,866	$ 629,423

For governmental activities, claims and judgment, other post-employment benefits, and compensated absences are generally liquidated by the General Fund. Any landfill remediation liability will be liquidated by the Solid Waste Closure non-major special revenue fund. The County is limited to a non-voted debt capacity of 1½% and a voted debt capacity of 2½% of the assessed valuation. At December 31, 2013 the remaining non-voted debt capacity was $453,522,876 and the remaining voted and non-voted capacity, combined, was $810,250,006.

NOTE 13 – SHORT-TERM DEBT

During the year, the County obtained a tax anticipation note authorized at $5,000,000 for the purpose of paying expenditures of the County's General Fund and other funds, pending the receipt of taxes and other revenues. This note is drawn down as needed, similar to a line of credit. The following funds shared in the borrowing: Tri Mountain Golf Course O&M, Event Center, Community Services Grants, Server Equipment Repair and Replacement, and Central Support Services.

Also, the County obtained a $10 million tax anticipation note for the purpose of paying expenditures of the County Roads Fund pending the receipt of taxes and grants.

Additionally, several funds issued registered warrants to provide resources in advance of property tax collections and grant receipts. Short-term debt activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Proceeds	Repayment	Ending Balance
Tax Anticipation Note (line of credit)	$ 130,802	$ 2,766,984	$ 2,465,830	$ 431,956
Registered Warrants				
Tri Mountain Golf Course O&M	0	169,104	169,104	0
Community Services Grants	0	48,722	48,722	0
Event Center	1,725	60,509	62,234	0
Central Support Services	2,045	0	2,045	0
Total Short-Term Debt	$ 134,572	$ 3,045,319	$ 2,747,935	$ 431,956

NOTE 14 – FUND BALANCES, GOVERNMENTAL FUNDS

Note 1-E-12 addresses definitions of fund balance classifications and the County's policy on the order of resource uses for Governmental Funds. Following is a table which shows detail information by fund balance classification for the Governmental Fund Balance Sheet.

	General Fund	County Roads	Community Service Grrants	Other Governmental Funds
Nonspendable				
Long Term Notes Receivable (less related def	626,586	32,489	12,819,097	-
Prepaids	187,182	-	470	323,135
Total nonspendable	813,768	32,489	12,819,567	323,135
Restricted For				
Public safety	-	-	-	1,551,414
Judicial	-	-	-	552,142
Physical environment	-	-	-	14,669,981
Transportation	-	30,523,274	-	1,873,917
Economic environment	-	-	8,293,004	3,288,672
Health and human services	-	-	-	10,582,649
Parks, recreation, and culture	-	-	-	22,626,505
Legislative/admin/support services	-	-	-	1,770,362
Debt service	-	-	-	22,476
Total restricted	-	30,523,274	8,293,004	56,938,117
Committed For				
Public safety	-	-	-	1,569,949
Judicial	-	-	-	842,023
Physical environment	-	-	-	4,560,906
Transportation	-	-	-	-
Economic environment	-	-	-	9,547
Health and human services	-	-	-	-
Mental health programs	-	-	-	-
Parks, recreation, and culture	-	-	-	-
Legislative/admin/support services	-	-	-	24,882
Debt service	-	-	-	-
Total committed	-	-	-	7,007,307
Assigned to				
Public safety	2,300,000	-	-	1,285,203
Judicial	-	-	-	-
Physical environment	-	-	-	31,524
Transportation	-	-	-	-
Economic environment	2,000,000	-	-	1,857,383
Health and human services	-	-	-	3,935,186
Mental health programs	-	-	-	978,122
Parks, recreation, and culture	-	-	-	90,988
Legislative/admin/support services	-	-	-	1,344,871
Debt service	-	-	-	-
Compensated absences	2,216,647	432,973	125,798	281,310
Total assigned	6,516,647	432,973	125,798	9,804,588
Unassigned	28,771,584	-	-	(199,705)
Total	36,101,999	30,988,736	21,238,369	73,873,442

NOTE 15 – PENSION PLANS

Substantially all County full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50*, Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

1. *Public Employees' Retirement System (PERS) Plans 1, 2, and 3*

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments. Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plans 1 and 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plans 1 and 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly.

Members in PERS Plans 1 and 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

Plan 1 members are vested after the completion of five years of eligible service and are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.
Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest- paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 members who have at least 20 years of service credit, and are 55 years of age or older, are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return- to-work rules.

Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.
For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.

- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	**263,347**

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program. The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** Plan 3 defined benefit portion only.
***Minimum rate.

Both the County and the employees made the required contributions. The County's required contributions for the years ended December 31 were as follows

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	$ 154,092	$ 5,633,784	$ 937,039
2012	$ 151,515	$ 5,019,001	$ 836,125
2011	$ 154,624	$ 4,301,005	$ 678,598

2. *Law Enforcement Officers' & Fire Fighters' Retirement System (LEOFF) Plans 1 and 2*

Plan Description

LEOFF was established in 1970 by the Legislature. Membership includes all full-time, fully compensated, local law enforcement commissioned officers, firefighters and, as of July 24, 2005, emergency medical technicians. LEOFF membership is comprised primarily of non-state employees, with Department of Fish and Wildlife enforcement officers, who were first included effective July 27, 2003, being an exception. LEOFF retirement benefit provisions are established in chapter 41.26 RCW and may be amended only by the State Legislature.

LEOFF is a cost-sharing multiple-employer retirement system comprised of two separate defined benefit plans. LEOFF members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 are Plan 2 members.

Effective July 1, 2003, the LEOFF Plan 2 Retirement Board was established by Initiative 790 to provide governance of LEOFF Plan 2. The Board's duties include adopting contribution rates and recommending policy changes to the Legislature.

LEOFF retirement benefits are financed from a combination of investment earnings, employer and employee contributions, and a special funding situation in which the state pays through legislative appropriations. Employee contributions to the LEOFF Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in

LEOFF Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest earnings, in lieu of any retirement benefit, upon separation from LEOFF-covered employment.

LEOFF Plan 1 members are vested after the completion of five years of eligible service. Plan 1 members are eligible for retirement with five years of service at the age of 50. The benefit per year of service calculated as a percent of final average salary (FAS) is as follows:

Term of Service	Percent of Final Average Salary
20 or more years	2.0%
10 but less than 20 years	1.5%
5 but less than 10 years	1.0%

The FAS is the basic monthly salary received at the time of retirement, provided a member has held the same position or rank for 12 months preceding the date of retirement. Otherwise, it is the average of the highest consecutive 24 months' salary within the last 10 years of service. A cost-of-living allowance is granted (based on the Consumer Price Index).

LEOFF Plan 1 provides death and disability benefits. Death benefits for survivors of Plan 1 members on active duty consist of the following: (1) If there is an eligible spouse, 50 percent of the FAS, plus 5 percent of the FAS for each eligible surviving child, with a limitation on the combined benefit of 60 percent of the FAS; or (2) If there is no eligible spouse, eligible children receive 30 percent of the FAS for the first child plus 10 percent for each additional child, subject to a 60 percent limitation of the FAS, divided equally.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 1 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

The LEOFF Plan 1 disability benefit is 50 percent of the FAS plus 5 percent for each child up to a maximum of 60 percent. Upon recovery from disability before the age of 50, a member is restored to service with full credit for service while disabled. Upon recovery after the age of 50, the benefit continues as the greater of the member's disability benefit or service retirement benefit. LEOFF Plan 2 members are vested after the completion of five years of eligible service.

Plan 2 members are eligible for retirement at the age of 53 with five years of service, or at age 50 with 20 years of service. Plan 2 members receive a benefit of 2 percent of the FAS per year of service (the FAS is based on the highest consecutive 60 months), actuarially reduced to reflect the choice of a survivor option. Members who retire prior to the age of 53 receive reduced benefits. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53. Otherwise, the benefits are actuarially reduced for each year prior to age 53. A cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

LEOFF Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 benefit amount is 2 percent of the FAS for each year of service. Benefits are reduced to reflect survivor option choice and for each year that the member's age is under 53, unless the disability is duty-related. If the member has at least 20 years of service and is age 50, the reduction is 3 percent for each year prior to age 53.

A disability benefit equal to 70 percent of their FAS, subject to offsets for workers' compensation and Social Security disability benefits received, is also available to those LEOFF Plan 2 members who are catastrophically disabled in the line of duty and incapable of future substantial gainful employment in any capacity. Effective June 2010, benefits to LEOFF Plan 2 members who are catastrophically disabled include payment of eligible health care insurance premiums.

Members of LEOFF Plan 2 who leave service because of a line of duty disability are allowed to withdraw 150 percent of accumulated member contributions. This withdrawal benefit is not subject to federal income tax. Alternatively, members of LEOFF Plan 2 who leave service because of a line of duty disability may be eligible to receive a retirement benefit of at least 10 percent of FAS and 2 percent per year of service beyond five years. The first 10 percent of the FAS is not subject to federal income tax.

LEOFF Plan 2 retirees may return to work in an eligible position covered by another retirement system, choose membership in that system and suspend their pension benefits, or not choose membership and continue receiving pension benefits without interruption.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a LEOFF Plan 2 member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

Benefits to eligible surviving spouses and dependent children of LEOFF Plan 2 members killed in the course of employment include the payment of eligible health care insurance premiums.

Legislation passed in 2009 provides to the Washington state registered domestic partners of LEOFF Plan 2 members the same treatment as married spouses, to the extent that the treatment is not in conflict with federal laws.

LEOFF members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

There are 374 participating employers in LEOFF. Membership in LEOFF consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	10,189
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	689
Active Plan Members Vested	14,273
Active Plan Members Non-vested	2,633
Total	**27,784**

Funding Policy

Employer and employee contribution rates are developed by the Office of the State Actuary to fully fund the plans. Starting on July 1, 2000, Plan 1 employers and employees contribute zero percent, as long as the plan remains fully funded. Plan 2 employers and employees are required to pay at the level adopted by the LEOFF Plan 2 Retirement Board.

The Legislature, by means of a special funding arrangement, appropriates money from the state General Fund to supplement the current service liability and fund the prior service costs of Plan 2 in accordance with the recommendations of the Pension Funding Council and the LEOFF Plan 2 Retirement Board. This special funding situation is not mandated by the state constitution and could be changed by statute. For DRS' Fiscal Year 2013, the state contributed $54.2 million to LEOFF Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.26 and 41.45 RCW. The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	LEOFF Plan 1	LEOFF Plan 2
Employer*	0.18%	5.23%**
Employee	0.00%	8.41%
State	N/A	3.36%

*The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for ports and universities is 8.59%.

Both the County and the employees made the required contribution. The County's required contributions for the years ended December 31 were as follows:

	LEOFF Plan 1	LEOFF Plan 2
2013	$299	$644,542
2012	$330	$635,779
2011	$449	$603,225

3. *Public Safety Employees' Retirement System (PSERS) Plan 2*

Plan Description

PSERS was created by the 2004 Legislature and became effective July 1, 2006. PSERS retirement benefit provisions have been established by Chapter 41.37 RCW and may be amended only by the State Legislature. PSERS is a cost-sharing multiple-employer retirement system comprised of a single defined benefit plan, PSERS Plan 2.

PSERS membership includes:

- PERS 2 or 3 employees hired by a covered employer before July 1, 2006, who met at least one of the PSERS eligibility criteria and elected membership during the period of July 1, 2006 to September 30, 2006; and
- Employees, hired on or after July 1, 2006 by a covered employer, that meet at least one of the PSERS eligibility criteria.

Covered Employees include:

- State of Washington agencies: Department of Corrections, Department of Natural Resources, Gambling Commission, Liquor Control Board, Parks and Recreation Commission, and Washington State Patrol;
- Washington State counties;
- Washington State cities except for Seattle, Spokane and Tacoma; and
- Correctional entities formed by PSERS employers under the Interlocal Cooperation Act.

To be eligible for PSERS, an employee must work on a full-time basis and:

- Have completed a certified criminal justice training course with authority to arrest, conduct criminal investigations, enforce the criminal laws of Washington and carry a firearm as part of the job; or
- Have primary responsibility to ensure the custody and security of incarcerated or probationary individuals; or
- Function as a limited authority Washington peace officer, as defined in RCW 10.93.020; or
- Have primary responsibility to supervise eligible members who meet the above criteria.

PSERS retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the plan accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PSERS Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PSERS-covered employment.

PSERS Plan 2 members are vested after completing five years of eligible service. PSERS members may retire with a monthly benefit of 2 percent of the average final compensation (AFC) at the age of 65 with five years of service, or at the age of 60 with at least 10 years of PSERS service credit, or at age 53 with 20 years of service. The AFC is the monthly average of the member's 60 consecutive highest-paid service credit months. There is no cap on years of service credit; and a cost-of- living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members who retire prior to the age of 60 receive reduced benefits. If retirement is at age 53 or older with at least 20 years of service, a 3 percent per year reduction for each year between the age at retirement and age 60 applies.

PSERS Plan 2 provides disability benefits. There is no minimum amount of service credit required for eligibility. The monthly benefit is 2 percent of the AFC for each year of service. The AFC is based on the member's 60 consecutive highest creditable months of service. Benefits are actuarially reduced for each year that the member's age is less than 60 (with ten or more service credit years in PSERS), or less than 65 (with fewer than ten service credit years). There is no cap on years of service credit, and a cost- of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PSERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors. A one-time duty-related death benefit is provided to the beneficiary or the estate of a PSERS member who dies as a result of injuries or illness sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 75 participating employers in PSERS. Membership in PSERS consisted of the following as of the latest actuarial valuation date for the plan of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	27
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	60
Active Plan Members Vested	2,083
Active Plan Members Non-vested	2,167
Total	**4,337**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates. The employer and employee contribution rates for Plan 2 are developed by the Office of the State Actuary to fully fund Plan 2.

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.37 and 41.45 RCW. The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

	PSERS Plan 2
Employer*	10.54%
Employee	6.36%

* The employer rate includes an employer administrative expense fee of 0.18%.

Both the County and the employees made the required contributions. The County's required contributions for the year ending December 31 were as follows:

	PSERS Plan 2
2013	$477,078
2012	389,634
2011	341,527

NOTE 16 – DEFERRED COMPENSATION PLAN

The County maintains an Internal Revenue Code (IRC) Section 457 plan for all permanent employees. Section 457 requires that the assets and income of the plans be held in trust for the exclusive benefit of participants and their beneficiaries. Monthly contributions to the plan are deducted from the wages of employees who choose to participate as prescribed by federal law and regulations. The contributions are deposited with a third party in the County's name and in trust on behalf of the County's employees.

The County has adopted Governmental Accounting Standard Board Statement No.32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The County has little administrative involvement and does not perform the investing functions for this plan, therefore, this plan is not shown in the County's financial statements.

As of December 31, 2013, the County had 1,352 employees participating in the 457 plan, having accumulated deposits with a fair value of $68,467,004. The County contracts with a sole provider in order to reduce the cost of participation to employees, provide better fund options, and improve service with more financial planning meetings.

NOTE 17 – OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

In addition to providing pension benefits, the County has elected to provide health care benefits under two single-employer defined benefit plans to the retirees of the County; one for *Law Enforcement Officers' & Fire Fighters' Retirement* (LEOFF 1) (see note 17.B.) and the second OPEB plan for all other retirees (PERS and LEOFF 2) (see note 17 A.). There are no stand-alone financial reports produced for the OPEB plans.

The County did not establish an irrevocable trust (or equivalent arrangement) to account for either plan. Instead, the activities of the plans are reported in the County's benefits service account. The following describes each plan separately.

A. Retired PERS AND LEOFF 2 Employees

Plan Description

The County has elected to provide certain public employee groups with a single-employer defined benefit retiree healthcare plan. The healthcare plan provides post-retirement medical and vision coverage for eligible retirees, their spouses, domestic partners, and dependents on a self-pay basis. The County establishes the benefit provisions and the premium rates are set by the health insurance carrier, plus a 2% administration fee. Eligible participants may select from one of the County's two healthcare plans: the Regence Blue Cross or the Kaiser HMO plan. The benefits provided to retirees under age 65 is generally less than the coverage provided to employees. Coverage under these plans is provided to retirees, spouses, and domestic partners. Dependent children are covered until age 26. Each health insurance carrier offers a health plan for retirees who are eligible for Medicare.

The premium rates for eligible retirees and their dependents (other than Kaiser's Senior Advantage) are based on the experience of all plan members, including both active employees and retirees. The difference between retiree claims costs, which because of the effect of age is generally higher in comparison to all plan members, and the amount of retiree healthcare premiums represents the County's implicit employer contribution. The premium rates for the Kaiser Senior Advantage are based on a "community rated" Medicare supplemental healthcare program and are assumed to generate no implicit employer contribution.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2013, the amount actually contributed to the plans, and changes in the County's net OPEB obligation:

Annual OPEB Contribution	$	199,364
Interest on Net OPEB		28,814
Adjustments to the annual required contribution		(47,576)
Annual OPEB cost (expense)		180,602
Estimated Contributions		(90,643)
Increase in the net OPEB obligation		89,959
Net OPEB obligation, beginning of year		960,476
Net OPEB obligation, end of year	$	1,050,435

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal Year Ending December 31	Annual OPEB Cost	Contribution	Percentage of Annual OPEB cost Contributed	NET OPEB Obligation
2011	$ 232,615	$ 115,884	49.82%	$ 864,802
2012	230,335	134,661	58.46%	960,476
2013	180,602	90,643	50.19%	1,050,435

Funding Policy

The County has authority to establish and amend contribution requirements. The required contribution is based on the projected pay-as-you-go financing requirements. Since the County's healthcare plan is experience rated, the annual required contributions can fluctuate. For the fiscal year ending December 31, 2013, the County's combined plan contributions were $90,643.

Funding Status and Funding Progress

As of December 31, 2013, the most recent actuarial valuation date, the actuarial accrued liability and the unfunded actuarial accrued liability for benefits was $1,948,128. The covered payroll (annual payroll of active employees covered by the plan) was $96,587,342 and the ratio of the UAAL to the covered payroll was 2.0 percent. The actuarial value of assets was zero.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2013 actuarial valuation for the retiree healthcare plan was based on the level percent of pay method. The actuarial assumption for the valuation included an investment return of 3.0%. The healthcare plan actuarial valuation assumed that the medical premiums for Regence increase at initial rates of 3% and 6%, for general service and public safety employees respectfully. The assumed rate of increase for general service employees increases by 0.5% per year, stabilizing at a 4.5% annual increase. The assumed rate of increase for public safety employees decreases by 0.5% per year, stabilizing at a 4.5% annual increase. The healthcare cost inflation rates are the only assumed inflation rates considered. The unfunded actuarially accrued liability and the gains or losses for the plan are amortized as a level dollar amount over an open 30-year period.

C. Retired LEOFF I Employees

Plan Description

The County provides all health insurance benefits for retired public safety employees who are vested in LEOFF I. All County LEOFF I employees may become eligible for these benefits if they reach normal retirement age while working for the County. The County has used the alternative measurement method permitted by GASB Statement 45.

There are 52 participants eligible to receive these benefits. There are currently two LEOFF I members employed at the County who have not yet retired and two other former LEOFF 1 members who have retired but returned to work at the County in a different capacity. None of these four participants receive LEOFF I medical benefits. The benefits are 100 percent provided by the County in order to meet State statutory requirements under the LEOFF I system, whereby the County pays their medical and dental premiums and out-of-pocket medical costs for life.

Funding Policy

The County has authority to establish and amend contribution requirements. The required contribution is based on the projected pay-as-you-go financing requirements. Since the County's healthcare plan is experience rated, the annual required contributions can fluctuate. For the fiscal year ending December 31, 2013, the County's combined plan contributions were $394,024.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance within the parameters of GASB 45 using the alternative method. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of seventeen years. The following table shows the components of the County's annual OPEB cost for the fiscal year ending December 31, 2013, the amount actually contributed to the plans, and changes in the County's net OPEB obligation:

Annual required contribution	$ 232,513
Interest on net OPEB obligation	(13,828)
Adjustments to the annual required contribution	27,114
Annual OPEB cost (expense)	245,799
Contributions made	(394,024)
Decrease in the net OPEB obligation	(148,225)
Net OPEB obligation, beginning of year	(460,924)
Net OPEB obligation, end of year	$ (609,149)

The County's annual OPEB cost, the contribution, the percentage of annual OPEB cost contributed to the plans, and the net OPEB obligation for 2013 and the two preceding years were as follows:

Fiscal year Ending December 31	Annual OPEB Cost	Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	$320,529	$391,083	122%	($309,580)
2012	279,782	431,126	154%	($460,924)
2013	245,799	394,024	160%	($609,149)

Funding Status and Funding Progress

As of December 31, 2013, the most recent valuation date, the actuarial accrued liability for benefits was $3,952,729, all of which was unfunded. The actuarial value of assets was zero. The covered payroll (annual payroll of active employees covered by the plan) was $294,725, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 1,341.2 percent.

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions
Due to the size of the plan (less than 100 participants) the County elected to use the alternative method for valuation. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The methods and assumptions used are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

The December 31, 2013 valuation for LEOFF I retiree healthcare plan was based on the entry age normal method. The assumption for the valuation included an investment return of 3.0%. The healthcare plan actuarial valuation included healthcare cost inflation trend rates of 6.0% in 2012 and 2013 and decreasing to 5.0% in 2014 and for the remainder of the plan. The healthcare cost inflation rates are the only assumed inflation rates considered. Unfunded accrued liability and the gains or losses for the plan are amortized as a level dollar amount over a period of 17 years on a closed basis.

NOTE 18 – IMPACT FEES
Clark County has adopted impact fee ordinances in past years to ensure that adequate facilities are available to serve new growth and development. An impact fee is levied as a condition of issuance of a building permit or development approval. Customers may be entitled to a non-refundable credit against the applicable impact fee component for the fair value of appropriate dedications of land, improvements, or construction of system improvements provided by the development. In the event that the amount of the credit is calculated to be greater than the amount of the impact fee due, the customer may apply the excess credit toward impact fees imposed on other developments within the same service area. In 2013, there was $443,498 in traffic impact fee credits granted. The amount of credits applied toward traffic impact fees in 2013 was $29,317. The amount of credits that may be applied against future traffic impact fees is $6,499,207 at December 31, 2013.

In 2013, Clark County assumed park impact fee credits from the City of Vancouver that pertain to County park districts, in the amount of $62,481. The County does not issue park impact fee credits, so this amount should continually be reduced until all existing credits are used.

The County does not report impact fee credits as liabilities in the fund financial statements because they are viewed as reductions of future revenues, which are not yet earned. Impact fees are not due until a certificate of occupancy is issued.

NOTE 19 –RISK MANAGEMENT

Clark County is exposed to various risks of loss related to torts; thefts, damage, and/or destruction of assets; errors and omissions; and natural disaster, for which the County either carries commercial insurance, is self-insured or belongs to a risk pool.

A. Risk Pool
Clark County is one of twenty-seven members of the Washington Counties Risk Pool (“Pool”). The Pool was formed August 18, 1988 after an Interlocal (Cooperative) Agreement under Chapter 39.34 RCW was approved by several Washington counties. The agreement and cooperative created a mechanism to provide member counties with “joint” programs and services including self-insurance, purchasing of insurance, and contracting for or hiring of personnel to provide administrative services, claims handling, and risk management.

Washington's pools operate under the state's "pooling" laws and regulations, more specifically, RCW 48.62 RCW and WAC 200.100. They must be first approved and then are overseen by the State Risk Manager, and they are subject to annual fiscal audits performed and issued by the State Auditor's Office.

Noteworthy is the definition of "insurer" within RCW 48.01.050 for application of the Washington Insurance Code, which reflects the following:

> *Two or more local government entities, under any provision of law, that join together and organize to form an organization for the purpose of jointly self-insuring or self-funding are not an "insurer" under this code.*

Thus, under Washington law the Pool is not an insurance company, and therefore, not subject to the rules governing insurance policy interpretation.

The Pool's mission is: To provide comprehensive and economical risk coverage; reduce the frequency and severity of losses; and decrease costs incurred in the managing and litigation of claims. Its core values include: being committed to learn, understand and respond to member counties' insurance needs; being committed to establish working relationships with all members that identify business issues and jointly develop solutions; member counties commit to allocate necessary resources to risk management in their own operations. The Pool's board of directors and professional staff share a commitment to manage the organization based on sound business principles, benchmarked industry standards and measurable outcomes, and being committed to continuous planning and innovation in product development and service delivery.

A Membership Compact was added as an addendum to the Interlocal Agreement in 2000. It constitutes a commitment to strengthen the Pool by helping member counties implement and/or enhance their local risk management efforts to reduce losses and support the best management of the Pool and its resources. It obligates member counties to support these goals through three major elements – membership involvement, risk control practices, and a targeted risk management program(s).

New members may be asked to pay modest fees to cover any costs to analyze the member's loss data and risk profile, but they are normally only required to contribute their proportional shares on their entry year's insuring assessments. Members contract initially under the Interlocal Agreement to remain in the Pool for at least five years. Following the initial term, a county may terminate its membership at the conclusion of any Pool fiscal year, provided the county timely files its required advance written notice; otherwise, the Interlocal Agreement and memberships automatically renew for another year. Even after termination, former members remain responsible for reassessments by the Pool for the members' proportional shares of any unresolved, unreported, and in-process claims for the periods that the former members were signatories to the Interlocal Agreement.

<u>Joint Self-Insurance Liability Program ("JSILP")</u>: The Pool, which recently celebrated its Silver Anniversary, has been providing its membership with occurrence-based, jointly purchased and/or jointly self-insured 3rd-party liability coverage since October 1, 1988 for bodily injury, personal injury, property damage, errors and omissions, and advertising injury caused by an occurrence during the policy period and occurring anywhere in the world. Total coverage limits have grown from the $1 million limit that existed during the Pool's initial two insuring months to $5 million, then to $10 million and onto $15 million before reaching the $20 million occurrence limit that has existed since October 1, 2003. (Note: Additional occurrence limits of $5 million have been available for many years for member counties to choose as an individual county-by-county option.) There are no aggregate limits to the payments the WCRP makes for any one member county or all member counties combined.

The initial $10 million in coverage is jointly self-insured. The remaining JSILP coverage, up to $15 million, is acquired as "following form" excess insurance from higher rated commercial carriers. Member counties annually select a deductible amount applicable to each occurrence from these options: $10,000, $25,000, $50,000, $100,000, $250,000 or $500,000.

Reinsurance is acquired from higher rated carriers as well to protect the Pool directly and its member counties indirectly from larger-valued losses. The reinsuring program is written with a self-insured retention ("SIR") equal to the greater of the applicable member's deductible or $100,000. The reinsuring agreements also include first and second layer corridor elements – to $1 million and from $1 to $2 million – with cumulative (WCRP) retentions of $2.95 and $0.65 million and annual aggregate limits of $40 and $20 million respectively.

616 third-party liability claims (and lawsuits) were reported to the Pool by its member counties during Py2013, and added to the Pool's administrative database. This represented a 3% reduction in year-over-year filings and a continuation of recent years' decline in annual filings. The new filings raised the to-date total (Oct 1988 – Sep 2013) to 19,232. Total incurred losses (payments made plus reserve estimates for *open* claims) increased $8.1 million during Py2013 to $250.9 million. The annual amount is 50% more than the corresponding Py2012 amount of $5.4M, but it represents just 51% of the Py2011 increase of $16.0M, 46% of the $17.8M in Py2010, and only 39% of the $20.8M annual average for Py2007 through Py2009. Only 327 claims remained classified as *'open'* at year-end. With 307 additional claims projected by the actuary from all years as incurred but not yet reported ("IBNR"), the Pool's estimated ultimate claims totaled 19,539 as of September 30, 2013.

The independent actuary's projection of total reserves for claims that are expected to be the Pool's responsibility decreased slightly (-1%) from Py2012 to $14.6 million. This amount includes $3.4 million (-21% from Py2012) for losses within the Pool's self-insured retention, $10.0 million (+7%) for losses subject to the "corridor" programs with the Pool's reinsurers, $0.2 million for losses within the Py2013 quota-shared (10%) upper reinsured layer, and $1.0 million (+3%) for estimated unallocated loss adjustment expenses. *NOTE: The corridor programs involving the WCRP's first (and now second) layer reinsurers began seven years ago. These programs included an occurrence coverage maximum of $0.5 million during the first three years, $1.0 million during the next three years, and of both $1.0 million and $2.0 million beginning with Py2013. Occurrence coverage minimums have remained since the corridor program began the greater of the applicable member deductible or $100,000.*

<u>Washington Counties Property Program ("WCPP")</u>: Beginning with fiscal year 2006 (October 1, 2005), WCRP added property insurance as a county-by-county option that is jointly-purchased from a consortium of higher rated commercial carriers. Since the initial offering, both participation and the total values of covered properties have nearly doubled. Twenty six WCRP counties with covered properties totaling over $2.7 billion participated in the optional insuring program during 2013.

The WCPP includes All Other Peril coverage limits of $500 million per occurrence for losses to buildings and contents, vehicles, mobile/contractors equipment, EDP and communication equipment, etc., as well as Flood and Earthquake (catastrophe) coverage with separate occurrence limits, each being $200 million. All Other Perils coverage limits apply to any occurrence, even those affecting more than one participating county, and there are no annual (AOP) aggregate limitations. Flood and Earthquake coverage each include annual aggregate limits of $200 million. The WCPP coverage also includes sub-limited items, e.g. Equipment Breakdown / Boiler & Machinery ($100 million), Special Flood Hazard Areas ($25 million). And there are endorsements for Green Construction Upgrades, Reproduction Coverage for Historic Structures, and Terrorism ($20 million).

AOP occurrence deductibles, which the participating counties select annually and which the counties are solely responsible for paying, range between $5,000 and $50,000. Higher deductibles are applicable to losses resulting from catastrophe relevant losses.

There were 15 claims filed during 2013 by participating counties with loss estimates totaling $2.6 million and losses paid by fiscal year-end of $1.5 million. During its initial eight years as a WCRP optional insuring program, there have been 103 WCPP claims filed with to-date incurred losses totaling $15.5 million and losses paid through fiscal 2013 of $8.9 million. Considering the fact that to-date WCPP premiums have totaled $22.2 million, the WCPP's cumulative loss ratio is below 0.7.

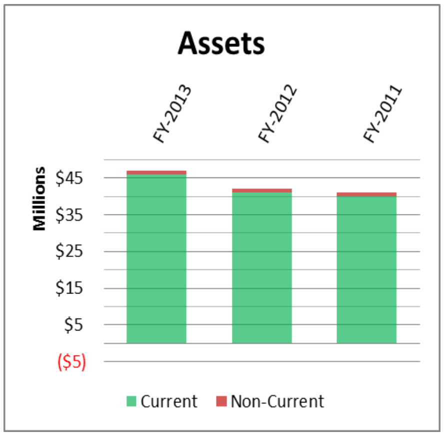
Other Insurances: Several member counties also use the Pool's contracted producer (broker) to secure other (specialty) insurances. Examples include public officials bonds and crime (and fidelity), cyber risks/security, special events/concessionaires, underground storage tank and other environmental hazards insurance coverage.

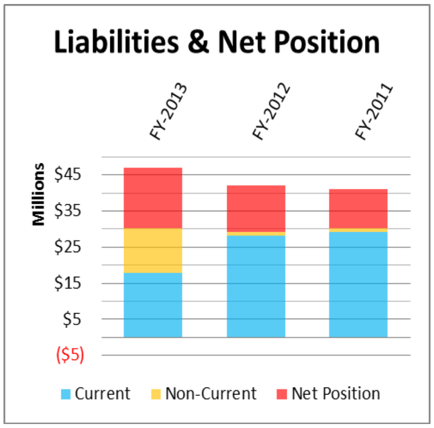
Governance / Oversight: The Pool is governed by a board of directors consisting of one director (and at least one alternate director) appointed by each member county. The Board, which is made up of both elected and appointed county officials, meets three times each year with the summer meeting being the Pool's Annual Meeting. The board of directors is responsible for a) determining the extent of the 3rd-party self-insured liability coverage to be offered (approving the insuring document or coverage form), b) selecting the reinsurance program(s) to acquire and the excess insurance(s) to be jointly purchased or offered for optional purchase by the member counties, c) approving the Pool's annual operating budget(s) and work program(s), and d) approving the members' deposit assessment and reassessment formulas for the policy year ensuing and for any deficient prior period(s).

Regular oversight of the Pool's operations is provided by an 11-person executive committee selected from and by the WCRP Board. Committee members are elected to staggered, 3-year terms. The Committee meets several times throughout each policy year to: a) approve all WCRP disbursements and review the Pool's financial health; b) approve case settlements exceeding the applicable member's deductible by at least $50,000; c) review all claims with incurred loss estimates exceeding $100,000; and d) evaluate the Pool's operations and program deliverables as well as the Executive Director's performance. Committee members are expected to participate in the Board's standing committees (finance, personnel, risk management, and underwriting) for development or review/revision of the organization's policies and coverage documents.

Financial Summary: During fiscal 2013, Pool assets grew 11% (+$4.8 million) and liabilities by 3% (+$1.0 million). Its net (financial) position, which is commonly referred to as "net assets" and sometimes as "owners' equity", improved 30% (+$3.9 million) during the Pool's Silver Anniversary year to $16.7 million as of September 30, 2013. Much of the net position is 'restricted' ($12.5 million) to address the Board of Directors' recently revised requirements in section D of its Underwriting Policy. *NOTE: This policy revision resulted in the Pool's own restriction increasing $7.5 million (+187%) and the unrestricted declining $3.8 million (-53%). The (State Risk Manager's) solvency provisions in WAC 200.100.03001(3) required $0.9 million for satisfaction, a year-over-year increase of $0.1 million (+15%).* Another $0.9 million is invested in capital assets (net of debt). The remaining $3.3 million is unrestricted.

$3.75 million in operating income was experienced during Py2013, an increase of 111% from Py2012. Operating revenues were 'flat', but expenses declined nearly $2.0 million (-15%). This reduction was in part due to even more favorable adjustments by the independent actuary, PricewaterhouseCoopers LLP ("PwC"), to the Pool's claims-related reserves, and to the reduction (-26%) in the premiums to acquire the reinsurance, excess insurance and property insurance policies requested by the Board.





Contingent Liability: The Pool is a cooperative program with joint liability amongst its participating members. Contingent liabilities occur when assets are not sufficient to cover liabilities. Deficits of the Pool resulting from any fiscal year are financed by reassessments (aka retroactive assessments) placed upon the deficient year's membership in proportion with the deposit assessments initially levied and collected. The Pool's reassessments receivable balance at December 31, 2013 was ZERO ($0) as there were no known contingent liabilities at that time.

B. General Liability Insurance

The claims and judgment liability of the fund is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Non-incremental claims adjustment expenses have not been included in the calculation for claims and judgments. The following schedule reconciles the current year and the prior year claim liability:

	2013	2012
Beginning claims liability	$ 3,749,248	$ 4,082,000
Claims incurred during the year and changes in estimates for claims of prior periods (including IBNRs)	1,482,301	636,143
Payments made on claims	(1,036,849)	(968,895)
Ending claims liability	$ 4,194,700	$ 3,749,248

As of December 31, 2013, the County had current assets in the General Liability Insurance Fund of $2.4 million.

C. Other Self-Insurance Funds

The County is self-insured for unemployment insurance claims and for workers' compensation claims which are administered by a 3rd party, except as noted below. Current assets set aside at December 31, 2013 for these claims are $1.4 million and $1.3 million, respectively. There were no significant claims outstanding against the unemployment insurance fund assets at December 31, 2013. The estimated claims liability at December 31, 2013 is $151,245. The County maintains a $1 million commercial policy for excess worker's compensation claims, with a $750,000 deductible. There were no settlements that exceeded the insurance coverage in 2011, 2012 or 2013.

The workers' compensation liability is summarized below. The claims and judgment liability of the fund is reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). Non-incremental claims adjustment expenses have not been included in the calculation for claims and judgments. The following schedule reconciles the current year and the prior year claim liability:

	2013	2012
Beginning claims liability	$ 4,065,000	$ 3,635,000
Claims incurred during the year and changes in estimates for claims of prior periods (including IBNRs)	1,236,180	1,923,316
Payments made on claims	(1,188,180)	(1,493,316)
Ending claims liability	$ 4,113,000	$ 4,065,000

NOTE 20 – RESTRICTED NET POSITION

Clark County's government-wide statement of net position reports a restricted net position of $101.7 million, of which $32.0 million is restricted by enabling legislation; $36.2 million by various federal and state laws; $31.4 million by grantors and other contracts; and $2.1 million by bond covenants and debt service.

NOTE 21 - CONTINGENCIES AND LITIGATIONS

The County participates in several Federal, State, and local grant programs. The grants are subject to an annual audit examination that includes compliance with granting agency terms and provisions, and with Federal and State regulations. Failure to adequately comply with the provisions could result in a requirement to repay funds to the granting agency. Disallowed expenditures cannot be determined at this time, although it is expected that such amounts would be immaterial.

The County has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the County is of the opinion that present reserves are available to adequately cover potential settlements without adversely affecting the financial condition of the County.

NOTE 22- JOINT VENTURE

The County has entered into one joint venture with the City of Vancouver and other local governments in the establishment and operation of the Clark Regional Emergency Services Agency (CRESA). CRESA was created by agreement under the Inter-local Cooperation Act (RCW 39.34). The purpose of CRESA is to equip and operate a consolidated public safety communications service. CRESA is a separate reporting entity and each participant's share of authority is defined by the terms of the enabling charter of the venture. Clark County has a 31% interest in the equity and operations of CRESA. Control of this joint venture is shared equitably by the controlling organizations. This entity is reported as a governmental fund joint venture. As such, the County's share of ownership is reported in the governmental activities column of the Statement of Net Position, as equity interest in a joint venture. This equity interest is accounted for using the equity method that reflects the County's investment in operations and net worth on the basis of contribution and participation. The equity interest primarily represents interest in capital assets and is reported in the Governmental Fund column of the Statement of Net Position. The County's share of the 2013 increase in net position was $1,111,393 and our equity interest was $3,868,826 at the end of 2013. Separate financial statements for the joint venture can be obtained from CRESA, 710 W. 13th Street, Vancouver, Washington 98660.

Clark County is involved in a related party transaction with CRESA. Clark County collects telephone access fees (911 taxes) that were used to pay for a county bond issue that financed CRESA's building and radio equipment. On December 31, 2009, the building bond was paid off. The equipment bond will be retired in 2016. The 911 tax was used in 2010 for payment of the radio equipment bond, CAD operating costs and transfers to the County's CAD System Replacement capital project fund for future equipment replacement. Effective January 1, 2011, the 911 tax can only be used to offset qualifying 911 expenses, leaving the funding for the future radio replacement the responsibility of CRESA stakeholders. Until the debt is retired, the equipment will remain under the ownership of Clark County.

The CAD System Replacement capital project fund of Clark County is administered by CRESA. Under CRESA's direction, the fund purchases equipment which is donated to CRESA. The fund's resources come from CRESA users. The deposit payable of $2,927,654 at December 31, 2013 represents funds held for future equipment purchases.

NOTE 23 - POLLUTION REMEDIATION

Leichner Landfill

In December, 2012, the County acquired the property formerly known as the Leichner Landfill (the Property). The Property was previously owned and operated by Leichner Brothers Landfill Reclamation Corporation (LBLRC) and was closed in December 1991. Between 1988 and 1996, LBLRC, Clark County (County), the City of Vancouver (City), Washington Utilities and Transportation Commission, and Washington State Department of Ecology (DOE) entered into a series of agreements regarding closure and post-closure maintenance and monitoring of the landfill. The Property is currently in the post remediation monitoring stage.

In 1988 the County entered into a Solid Waste Reduction and Disposal Agreement with LBLRC to direct the flow of solid waste and establish the Leichner Landfill Financial Assurance Reserve Fund (FARF). FARF, known as the Solid Waste Closure Fund, was established by the County for the sole purpose of accumulating disposal fees collected by LBLRC from 1988 until closure in 1991. In addition to the fees collected, the County contributed other resources. These funds were designated to pay for environmental compliance, closure, and self-insurance of the solid waste landfill.

The Revised Environmental Compliance Budget submitted to DOE for 2012 indicates that the remediation project is fully funded through 2021, the end of the 30 year post-closure monitoring period. This budget is the basis for the estimates for the year ending December 31, 2013. The remaining estimated liability is approximately $8.2 million. This is measured at current value. If FARF is depleted before the end of required maintenance and monitoring, the County is required through agreement to utilize rate capacity at the County contracted transfer stations under RCW 36.58 to continue to fund the project.

This estimated liability was prepared using the Expected Cash Flow Technique, which measures the liability as the sum of probability weighted amounts in a range of possible estimated amounts. This is an estimate only and potential for change exists resulting from price increases or reductions, technology, or changes in applicable laws or regulations. The estimates and assumptions will be re-evaluated on an annual basis.

Camp Bonneville

Camp Bonneville is a 3,840 acre piece of property within Clark County that was formerly used by the US Army as a military reservation and training camp. From February 2003 to October 2006, the Army conducted investigations and cleanup actions at Camp Bonneville under an Enforcement Order issued by the Washington State Department of Ecology (Ecology). In 2006, the County entered into an Environmental Services Cooperative Agreement (ESCA) with the

Army for the funding and cleanup of Camp Bonneville with the understanding that once the remediation was complete, the property would be owned and operated by the County. The ESCA provided that all funding would be provided by the Army and initially included approximately $28 million for munitions cleanup and related insurance for the Camp Bonneville site. Under the 2006 agreement, ownership of Camp Bonneville was temporarily transferred to a nonprofit corporation to manage cleanup of the site.

In 2011 the contract with the nonprofit for the cleanup of Camp Bonneville was terminated and the ownership of Camp Bonneville was transferred to the County. In May 2012, Clark County contracted with Weston Solutions, Inc. to perform Phase 1 of the clean-up. This phase performs a clearance to 14” in the Central Valley Floor. Ecology continues to be involved in the over site of the cleanup work. An agreement with Ecology stipulates that the County is only responsible for remediation of the site to the extent that the Army provides the funds for such work. Therefore, the Army is financially responsible for the cleanup of this property and there is no known liability for the County.

NOTE 24 - PRIOR PERIOD ADJUSTMENTS

Government wide Statement of Activities – Prior Period Adjustments
The Government wide Statement of Activities shows the following prior period adjustments for capital asset activities, in addition to the prior period adjustments shown in the fund statements.

- The Tri-Mountain Golf Course O&M Fund was moved from a non-major special revenue fund to a non-major enterprise fund, based on a review of the fund’s activity. This is a correction from how the fund has been reported in the past. As a result, the governmental activities column includes a ($7,955,942) prior period adjustment, for the loss on the golf course capital assets that are now reported as business-type capital assets (this adjustment falls into the government-wide statements, since governmental capital assets are only displayed in the government wide statements and not in the governmental fund statements) .

- The County booked capital asset contributions made in previous years that included $151,127 for vehicles acquired through a drug enforcement program and $583,620 for road right of way land contributed by developers.

Governmental Fund Statements Prior Period Adjustments
In 2013 the County received $6,242,199 in property tax and sales tax for 2012 and prior years that should have been recognized as available at the end of 2012. Of this amount, which is reported as a prior year adjustment, $2,434,805 is in the General Fund, $158,620 is in the County Roads Major Special Revenue Fund, and the remainder of $3,648,774 is reported in the following non-major special revenue funds: Special Law Enforcement, CRESA Emergency Service Communications, CJA-1% Sales Tax, Mental Health Sales Tax Fund, and Law & Justice Sales Tax Fund.

In addition to the sales and property tax adjustments, the General Fund also reported a prior period adjustment of $888,015, as a result of closing the nonmajor special revenue GIS Fund and including those activities into the General Fund. The GIS fund did not qualify as a special revenue fund, and the amount of the prior period adjustment is the fund balance of the GIS fund at the end of 2012. Likewise, the GIS Fund is represented on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for nonmajor special revenue funds, reporting no activity other than the ($888,015) prior period adjustment.

An advance between two funds was omitted in the 2012 financial statements. To correct this, the Metropolitan Parks District Special Revenue Fund reports a $3,000,000 prior period adjustment that is offset with an interfund advance payable from the Parks Dedicated ¼% REET Capital Projects Fund, which reports a ($3,000,000) prior year adjustment and an interfund advance due to the parks REET fund.

The Tri-Mountain Golf Course O&M Fund was moved from a nonmajor special revenue fund to a non-major enterprise fund, based on a review of the fund's activity. This is a correction from how the fund has been reported in the past. This fund is represented on the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances for nonmajor special revenue funds, reporting no activity other than the a $227,744 prior period adjustment, which offsets its fund balance as of December 31, 2012.

The Mental Health Grants nonmajor special revenue fund refunded unspent grant revenue from 2012 on two state grants. The total amount refunded was ($46,892), which is reported as a prior period adjustment.

<u>Proprietary Fund Statement - Prior Period Adjustments</u>
The Sanitary Sewer Major Enterprise Fund refunded a 2012 overpayment to the Clark Regional Wastewater District, in the amount of ($80,726). This was reported as a prior period adjustment.

The Clean Water Major Enterprise Fund reported a prior year adjustment of $77,145 for stormwater land contributed by developers in prior years.

As discussed above, the Tri-Mountain Golf Course O&M Fund was reclassified from a nonmajor special revenue fund to a nonmajor enterprise fund. This re-classification caused a prior period adjustment of $7,728,198. This includes an adjustment of $7,955,942 for the recognition of the funds capital assets and ($227,744) for the ending fund balance in the fund at December 31, 2012.

NOTE 25- OTHER DISCLOSURES

A. *<u>The Governmental Accounting Standards Board Statement # 65 (GASB 65)</u>*
The County implemented GASB 65, <u>Items Previously Reported as Assets and Liabilities</u>. This established accounting and financial reporting standards that reclassify, as *Deferred Outflows of Resources or Deferred Inflows of Resources, certain items that were previously reported as Assets* and *Liabilities* and recognizes, as *Outflows of Resources* or *Inflows of Resources,* certain items that were previously reported as *Assets* and *Liabilities.* The statement of net position was modified to include new sections, entitled “Deferred inflows of resources” and “Deferred outflows of resources”.

Further, the Statement of Activities presents restated January 1 fund balance due to a change in accounting principles of ($786,981) to remove the bond issue discounts that are to be recorded as a current period expense rather than deferred over the life of the bonds.

B. *<u>Change in Accounting Estimate- Road Infrastructure Capital Assets</u>*
In 2003, Clark County elected to use the modified approach in reporting roads. Under this method, preservation costs are expensed, rather than adding to the value of the capital asset, and the assets are treated as inexhaustible assets, rather than establishing a useful life and recording depreciation. The County did not meet the requirement (necessary for reporting using the modified approach) of completing road assessments within a three year cycle at of the end of 2012. Therefore road infrastructure is no longer eligible for reporting under the modified approach.

As a result, useful lives and salvage values were applied to each road asset and depreciation was assessed and reported against road infrastructure assets ($27 million for 2013) in the government-wide financial statements for the first time since the County adopted the modified approach in 2003. In addition, road preservation costs of $6.7 million, which would have been expensed under the modified approach, were capitalized in 2013. Going forward, the roads will continue to have similar annual depreciation expense reported in the government-wide financial statements.

Since Governmental Accounting Standards Board Statement #34 requires these changes in accounting estimates to be applied for subsequent periods, there is no prior period adjustment or restatement of the beginning net position within the statements.

C. *Discover Clean Water Alliance*

On October 3, 2012, the County entered into an inter-local agreement with Clark Regional Waste Water District (CRWWD), the City of Battle Ground and the City of Ridgefield to form the Discover Clean Water Alliance (Alliance) for the purpose of providing cooperative municipal utility services in Clark County. Alliance operations are expected to begin on January 1, 2015. CRWWD will initially be responsible for administering and managing the Alliance. The Alliance is governed by a four member board, one from each entity, and was established to provide sewage treatment services to the citizenry of the participating entities.

The County does not provide services to retail sewer or waste water customers and as such, does not anticipate any actual use of the regional services that will be provided by the Alliance. Because of this, the County will not be responsible for either operating costs or capital costs of the Alliance. However, the County will be transferring capital assets to the Alliance, including the Salmon Creek Treatment Plant, pump stations, transmission lines and associated land parcels. Through previous inter-local agreements, CRWWD has paid charges for services which included covering 100% of operations of the treatment plant, as well as debt service costs for debt that financed the last two upgrades of the treatment plant and major pump stations.

The County will continue to be the operator of the Salmon Creek Treatment Plant and the Battle Ground force main system, for a minimum of five years. As operator, the County will receive payments from the Alliance related to operations and capital costs of the treatment plant sewer system.

D. *Violations & Extraordinary Item*

In June, 2013, a federal judge ruled that Clark County had violated the federal Clean Water Act by not complying with the terms of its municipal stormwater discharge permit. On March 7, 2014 the County was required by the court to pay $3.6 million over a six year period. The County reported this as an extraordinary item in 2013. Please see *Note 27-B. - Subsequent Events* for more details on this item.

NOTE 27 – SUBSEQUENT EVENTS

A. In February of 2014, a federal court awarded a $9 million judgment against two former Clark County Sheriff employees in a civil case. The deputies were held liable for violating the constitutional rights of two men. The County was dismissed from the lawsuit. Based on the jury determinations, the County did not indemnify the defendants, whose actions were found to be outside the scope of their job duties, and not performed in good faith. Therefore, the County refused to accept responsibility for the judgment against the deputies.

B. In June, 2013, a federal judge ruled that Clark County had violated the federal Clean Water Act by not complying with the terms of its municipal stormwater discharge permit. On January 22, 2014 a consent decree regarding remedy for violations of clean water act was approved and the motion to approve the consent decree was filed March 7, 2014. The decree required the County to pay $600,000 in litigation fees and expenses, which was paid April 28, 2014 from the Clean Water Major Enterprise Fund.

In addition, the decree requires the County to pay $3 million, which is to be used to pay for water quality enhancement and habitat improvement projects. The settlement is to be paid in six annual payments of $500,000 each, beginning on June 15, 2015. The Clean Water Fund will be responsible for making these payments. The County is currently considering options in regards to raising clean water rates and/or establishing additional clean water fees in order to cover this obligation over the next several years. The County reported this as a liability and as an extraordinary item in the financial statements for 2013, as a recognized event, in accordance with GASB Statement # 56.

C. Clark County's membership in the Washington Counties Risk Pool (WCRP) was cancelled and terminated as of April 29, 2014, due to a breach of the inter-local agreement. Although the liability coverage was terminated and cancelled as of April 29, 2014, WCRP Executive Committee agreed to allow Clark County to continue its participation in and coverage under the WCRP's Property Program through September 2014.

The County has secured $25 million in liability coverage which went into effect at midnight, April 29, 2014. This policy consists of an occurrence based $10 million policy, with an excess layer of $15 million. Tentatively the annual cost of this policy will be $343,000.

D. In 1997, the City of Vancouver/Clark County Interlocal Parks Agreement was implemented, consolidating the City and County Parks and Recreation department. The agreement called for the City of Vancouver to operate the department and perform all administrative functions, with the County paying its share of the expenditures. Under the current Interlocal agreement (which has been revised since 1997), the County budgeted $880,000 annually for its share of department expenditures. This interlocal agreement and the joint parks department were dissolved as of December 31, 2013.

The County formed a three-person parks administrative and planning department to operate the county parks and recreation program. The department is estimated to cost $574,285 in the first year, as startup costs are considered. Estimates show an annual operation cost of $372,569 starting in 2015.

Due to the termination of the joint parks and recreation department, the City of Vancouver will return the County's unspent impact fees of $6,658,064 which they are holding in safekeeping for the County (see explanation in Note 1.E.6 of these Notes to the Financial Statements).

Required Supplementary Information

Other Post Employment Benefit Schedule of Funding Progress

Year Ended December 31, 2013

Clark County Retired Employees (PERS and LEOFF II) Healthcare Plan

Actuarial Valuation Date (Note 1)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	$ 0	$ 3,418,854	$ 3,418,854	0.00%	$ 98,748,078	3.5%
12/31/2011	$ 0	$ 2,598,936	$ 2,598,936	0.00%	$ 92,849,468	2.8%
12/31/2013	$ 0	$ 1,948,128	$ 1,948,128	0.00%	$ 96,587,342	2.0%

Clark County LEOFF 1 Retiree Healthcare Plan

Actuarial Valuation Date (Note 2)	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded Actuarial Accrued Liabilities (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	$ 0	$ 5,659,576	$ 5,659,576	0.00%	$ 288,474	1961.9%
12/31/2012	$ 0	$ 4,478,444	$ 4,478,444	0.00%	$ 293,048	1528.2%
12/31/2013	$ 0	$ 3,952,729	$ 3,952,729	0.00%	$ 294,725	1341.2%

Note 1 = Actuary valuation conducted every two years.

Note 2 = Alternative method used for valuation.

Required Supplementary Information

Modified Approach for Reporting Clark County's Infrastructure Capital Assets

Condition Rating of the County's Infrastructure Subsystems Reported Using Modified Approach

	Percentage of Infrastructure Assessed At or Above Established Assessment Levels (1)		
	2010	***2011***	***2012***
Bridges (2)	97.3%	97.4%	97.3%
	2011	***2012***	***2013***
Stormwater Subsystem	96.3%	96.9%	92.6%

	Percentage of Infrastructure Assessed at Poor Condition (1)		
	2010	***2011***	***2012***
Bridges (2)	1.3%	0.0%	0.0%
	2011	***2012***	***2013***
Stormwater Subsystem	3.7%	3.1%	6.5%

(1) Although the County has only recorded capital asset infrastructure constructed after 1980 , all county stormwater facilities and bridges are assessed and included in these percentages, regardless of when they were constructed.

(2) Bridge assessments are re-stated for all years. The bridge report submitted in the current year is for assessments done the prior year. Therefore, what was previously reported for 2011 and 2012 correlate to 2010 and 2011, respectively

Comparison of Needed-to-Actual Maintenance/Preservation

	2009 (1)	2010	2011	2012	2013
Stormwater Subsystem					
Budgeted (needed)	$358,428	$627,720	$358,428	$358,428	$350,000
Actual	$245,214	$574,774	$307,604	$438,960	$331,273
% Spent (1)	68.4%	91.6%	85.8%	122.5%	94.6%
Amount Unspent	$113,214	$52,946	$50,824	($80,532)	$18,727
Bridges (2)					
Budgeted (needed)	$163,794	$163,794	$277,878	$279,953	$94,712
Actual	$247,536	$150,840	$127,503	$34,685	$48,177
% Spent (1)	151.1%	92.1%	45.9%	12.4%	50.9%
Amount Unspent / (Overspent)	($83,742)	$12,954	$150,375	$245,268	$46,535

(1) The budget control is maintained within each fund and the County budgets on a biennial basis beginning in the odd year and ending in the even year. Operationally, the budget and the actual amount spent are monitored on a biennial basis. Also, one area within a fund (i.e., maintenance) can be over budget, as long as other areas within the fund (i.e., services, supplies, captial) are under budget to the same extent or more.

(2) Beginning in 2011, bridge maintenance is done only on an as needed basis.

Notes to Required Supplementary Information

In accordance with GASB Statement #34, the County is required to report infrastructure capital assets (such as roads, bridges, railways, pathways, and stormwater systems). The County has elected to use the "Modified Approach", as defined by GASB Statement #34, for reporting its stormwater subsystems and bridges, thereby forgoing depreciation of these assets (see Management's Discussion and Analysis: *Modified Approach for Reporting Infrastructure Assets,* within this document, regarding the requirements for using this method of reporting).

A complete assessment of bridges is done every two years, at a minimum, whereas stormwater subsystem assessments are done every three years, at a minimum. Detailed documentation of disclosed assessment levels is kept on file. Following are tables showing the measurement scales and basis for condition of measurement used to assess and report conditions for each of these infrastructure systems being reported using the modified approach and the condition level at which the County intends to preserve the assets.

Stormwater Subsystem

Measurement Scale and Basis for Condition Measurement

Rating*	
80-100	Good Condition - serves intended function and scores well in all areas
61-80	Fair Condition - serves intended function, but scores less well and has other issues
0-60	***Poor condition*** - may or may not fulfill its design function, has other serious issues, and requires maintenance or rebuild

***The County has established an acceptable condition level of 70 for stormwater subsystems, and intends to preserve the assets at or above this level.**

Bridges

Measurement Scale and Basis for Condition Measurement

Rating*	
100	Newly constructed bridge - no maintenance needed
81-99	Bridge is in good shape, unless structurally deficient or functionally obsolete
51-80	Bridge is in fair shape - may be eligible for replacement if structurally deficient or functionally obsolete
25-50	Bridge is in fair shape - may be eligible for federal replacement funding if structurally deficient or functionally obsolete
0-24	***Poor condition:*** Bridge is in poor shape - needs to be replaced soon

***The County has established an acceptable condition level of 50 for bridges and intends to preserve the assets at or above this level.**

Definitions: A **stucturally deficient** bridge is one whose condition or design has impacted its ability to adequately carry its intended load.

A **functionally obsolete** bridge is one in which the deck geometry, load capacity, clearance, or approach roadway alignment have reduced (to below accepted design standards) its ability to adequately meet traffic needs.

GASB Statement #34 requires that condition assessments are performed at least every three years and that the table showing the condition rating include data for the three most recent complete assessments.

The table of needed to actual maintenance/preservation includes a five year comparison.

				Expenditures			
Federal Agency Name/ Pass-Through Agency Name	**Cluster Title/Federal Program Name**	**CFDA Number**	**Other Award Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total Amount**	**Foot-Note Ref.**
U.S. Department of Agriculture/Pass-Through from WA State Superintendent of Public Instruction (SPI)	National School Lunch Program	10.555	06-037-6848	$52,680		$52,680	
U.S. Department of Agriculture/Pass-Through from WA State SPI	Summer Food Service Program for Children	10.559	C120-1099	4,914		4,914	
U.S. Department of Agriculture/Pass-Through from WA State Treasurer	Schools and Roads - Grants to State	10.665	N/A	2,410		2,410	
U.S. Department of Commerce/Pass-Through from WA State Recreation & Conservation Office	Pacific Coast Salmon Recovery_ Pacific Salmon Treaty Program	11.438	11-1313R	145,401		145,401	
U.S. Department of Defense	Special Assistance	12.600	W9128F-06-2-0160		$1,512,785	1,512,785	
U.S. Department of Housing and Urban Development (HUD)	Community Development Block Grants/Entitlement Grants	14.218	B-11/12-UC-530006 Program Income Subtotal		1,856,960 97,006 1,953,966	1,953,966	3
U.S. Department of HUD/ Pass-Through from WA State Dept of Commerce (DOC)	Emergency Solutions Grant Program	14.231	13-46107-005	295,490		295,490	
U.S. Department of Housing and Urban Development	HOME Investment Partnerships Program	14.239	M-09/10/11/12-UC-53-0204 Program Income Subtotal		322,840 218,434 541,274	541,274	3
U.S. Department of HUD/Pass-Through from City of Portland	Housing Opportunities for Persons with AIDS	14.241	30003460	121,598		121,598	
U.S. Dept of Interior	Fish and Wildlife Management Assistance	15.608	Agreement		7,462	7,462	
U.S. Dept of Justice /Pass-Through from WA State Dept of Social & Health Services	Juvenile Accountability Block Grants	16.523	0663-98255-08 1363-83999-01 Subtotal	10,461 7,694 18,155		18,155	
U.S. Dept of Justice/Pass-Through from WA State Dept of Commerce	Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	I-600-00213 I-501-00612 I-501-00613 Subtotal	3,750 20,438 4,013 28,201		28,201	
U.S. Department of Justice	Missing Children's Assistance	16.543	Agreement		10,000	10,000	
U.S. Dept of Justice/Pass-Through from WA State Dept of Commerce	Crime Victim Assistance	16.575	S11-31119-313	40,892		40,892	
U.S. Department of Justice	Drug Court Discretionary Grant Program	16.585	2010-DC-BX-0097 2012-DC-BX-0100 Subtotal		97,953 78,679 176,632	176,632	
U.S. Dept of Justice/Pass-Through from WA State Dept of Commerce	Violence Against Women Formula Grants	16.588	F12-31103-073	31,854		31,854	

				Expenditures			
Federal Agency Name/ Pass-Through Agency Name	**Cluster Title/Federal Program Name**	**CFDA Number**	**Other Award Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total Amount**	**Foot-Note Ref.**
U.S. Department of Justice	State Criminal Alien Assistance Program	16.606	2013-AP-BX-0122		$38,198	$38,198	
	State-Administered JAG Program Cluster*						
U.S. Department of Justice	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-0198		35,373		
			2011-DJ-BX-2298		8,155		
			2012-DJ-BX-0405		3,036		
U.S. Department of Justice/Pass-Through from WA State Dept of Commerce			M12-34021-006	$88,134			
			M13-31440-006	46,600			
			Subtotal	134,734	46,564	181,298	
U.S. Department of Justice	**ARRA** -Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants To Units of Local Government	16.804	2009-SB-B9-1974		12,145	12,145	4
U.S. Department of Justice	Edward Byrne Memorial Competitive Grant Program	16.751	2010-DD-BX-0023		77,328	77,328	
U.S. Department of Transportation/Pass-Through from WA State Dept of	Highway Planning and Construction	20.205	LA-6051 I-5 Intrchng @ NE 134 St	29,377			
			LA-7904 NE 10th Ave NE 154th to NE	18,716			
			LA-7256 Sidewalk Enhancement	23,774			
			LA-7237 NE 99th St Traffic Signl	1,682			
			LA-7348 Cougar Creek Bridge	71,033			
			LA-7257 School Sidewalk Projcts	44,048			
			LA-7334 Pleasant Valley Brdg #33	337,545			
			LA-7341 Daybreak Bridge	17,119			
			LA-7359 Dayton Bridge	348,456			
			LA-7320 NE Highway 99 TSO	693,461			
			LA-7335 VAST: NE 78th St TSO	236,515			
			LA-7419 2010 Co Rd Safety Prgrm	1,185,491			
			LA-7321 NE 10th Avenue	2,148,482			

Federal Agency Name/ Pass-Through Agency Name	Cluster Title/Federal Program Name	CFDA Number	Other Award Number	Expenditures: From Pass-Through Awards	Expenditures: From Direct Awards	Expenditures: Total Amount	Foot-Note Ref.
			LA-7646 NE 119 St/NE 50 Ave	$2,000,000			
			LA-7684 TSMO Corridr Imprv	236,379			
			LA-7821 Hazel Dell-Felida TSO	48,156			
			LA-7647 Barberton TSO	38,478			
			LA-7290 Timmen Road	1,668,101			
			LA-8005 Big Tree Creek Bridge	50,881			
			LA-8006 Blair-Zeek Bridge	121,332			
			LA-7972 Brush Prairie Bridge	28,803			
			LA-8003 Fifth Plain Creek	65,318			
			LA-8271 Van Atta Bridge	9,789			
			LA-8114 Guardrail Safety Impvmts	446,122			
			LA-7994 Orchards TSO	36,814			
			LA-8273 Salmon Creek Ave Path	38,696			
			LA-8294 Hazel Dell Sidewalks	15,000			
			LA-7905 NE 94th Avenue	157,232			
			LA-8312 NE Hwy 99 Corridor	809			
			DTFH70-12-E00015 Healy Rd Preservation		$240,880		
			Subtotal	10,117,609	240,880	$10,358,489	
	State-Administered Highway Safety Cluster*						
U.S. Dept of Transportation/Pass-Through from WA Traffic Safety Commission	State & Community Highway Safety	20.600	CP12-03	2,197			
			14S-05	6,148			
U.S. Department of Transportation/Pass-Through from WA Association of Sheriffs & Police Chiefs			Agreement	3,276			
			Agreement	4,912			
			Subtotal	16,533		16,533	

				Expenditures			
Federal Agency Name/ Pass-Through Agency Name	**Cluster Title/Federal Program Name**	**CFDA Number**	**Other Award Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total Amount**	**Foot-Note Ref.**
U.S. Dept of Transportation/Pass-Through from WA Traffic Safety Commission	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	Agreement	$3,330		$3,330	
U.S. Dept of Transportation/Pass-Through from WA Traffic Safety Commission	Occupant Protection Incentive Grants	20.602	Agreement	1,880		1,880	
U.S. EPA/Pass-Through from WA State Dept Of Ecology	Nonpoint Source Implementation Grants	66.460	C1200274	7,796		7,796	
U.S. Department of Energy/Pass-Through from WA State Dept of Commerce	Weatherization Assistance for Low-Income Persons	81.042	F12-43103-406 F13-43103-406 Subtotal	85,150 26,523 111,673		111,673	
U.S. Department of Energy/Pass-Through from WA State Dept of Commerce	BPA Low-Income Weatherization	81.F11-43104-406	F11-43104-406	74,422		74,422	
U.S. Department of Energy/Pass-Through from WA State Dept of Commerce	BPA Low-Income Weatherization	81.F13-43104-406	F13-43104-406	10,047		10,047	
U.S. Election Assistance Commission/Pass-Through from WA State Office of Secretary of State	Help America Vote Act Requirements Payments	90.401	G-2831(5)	13,208		13,208	
U.S. Department of Health and Human Services/Pass-Through from WA State Dept of Health (DOH)	Public Health Emergency Preparedness	93.069	C16880	422,833		422,833	
U.S. Department of Health and Human Services/Pass-Through from WA State Dept of Health (DOH)	Sodium Reduction in Communities	93.082	C16880	3,536		3,536	
U.S. Department of Health and Human Services/Pass-Through from WA State Dept of Health (DOH)	Maternal and Child Health Federal Consolidated Programs	93.110	C16880	2,000		2,000	
U.S. Department of Health and Human Services/Pass-Through from WA State Dept of Social & Health Services (DSHS)	Project Grants & Cooperative Agreements for Tuberculosis Control Programs	93.116	C16880	2,500		2,500	
U.S. Department of Health and Human Services/Pass-Through from WA DSHS	Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	5H79T1023353 5H79T1023312 Subtotal		$327,008 205,226 532,234	532,234	
U.S. Department of HHS/Pass-Through from Oregon Health Sciences University	Occupational Safety and Health Program	93.262	1R01OH009676-01A1	4,128		4,128	
U.S. Department of HHS/Pass-Through from WA DOH	Immunization Cooperative Agreements	93.268	C16880	95,917		95,917	
U.S. Department of HHS/Pass-Through from WA DSHS	Substance Abuse and Mental Health Services-Access to Recovery	93.275	1063-12871	389,713		389,713	
U.S. Department of Health and Human Services/Pass-Through from WA DOH	Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283	C16880	20,074		20,074	5

				Expenditures			
Federal Agency Name/ Pass-Through Agency Name	Cluster Title/Federal Program Name	CFDA Number	Other Award Number	From Pass-Through Awards	From Direct Awards	Total Amount	Foot-Note Ref.
U.S. Department of Health and Human Services/Pass-Through from WA DOH	National Public Health Improvement Initiative	93.292	C16880	$627		$627	
U.S. Department of HHS/Pass-Through from WA DOH	Pregnancy Assistance Fund Program	93.500	C16880	49,139		49,139	
U.S. Department of Health and Human Services/ Pass-Through from WA State Dept of Health	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants -financed solely by 2012 Prevention and Public Health Funds	93.531	C16880	301,576		301,576	6
U.S. Department of Health and Human Services/Pass-Through from WA State Dept of Health	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	93.539	C16880	7,257		7,257	
U.S. Department of Health and Human Services/ pass-through from WA State Dept of Health	PPHF2013: State Nutrition, Physical Activity, and Obesity Programs - financed in part by 2013 PPHF	93.548	C16880	10,091		10,091	
U.S. Department of Health and Human Services/ pass-through from WA State Dept of Social & Health Services	Temporary Assistance for Needy Families	93.558	1363-74783	11,275		11,275	
U.S. Department of Health and Human Services/Pass-Through from WA DSHS	Child Support Enforcement	93.563	2110-81160	1,635,833			
			0763-15060	78,631			
			Subtotal	1,714,464		1,714,464	
U.S. Department of Health and Human Services/Pass-Through from WA State Dept of Commerce	Low Income Home Energy Assistance	93.568	F13-32106-058	2,152,072			
			F14-32606-058	122,054			
			F12-43101-406	183,030			
			F13-43101-406	234,695			
			Subtotal	2,691,851		2,691,851	
U.S. Department of Health and Human Services/Pass-Through WA State Dept of Commerce	Community Services Block Grant	93.569	F12-32100-006	56,604			
			F13-32100-006	237,051			
			Subtotal	293,655		293,655	
U.S. Department of Health and Human Services/ Pass-Through from WA DOH	Capacity Building Assistance to Strenghten Public Health Immunization Infrastructure and Performance - financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733	C16880	5,099		5,099	

				Expenditures			
Federal Agency Name/ Pass-Through Agency Name	**Cluster Title/Federal Program Name**	**CFDA Number**	**Other Award Number**	**From Pass-Through Awards**	**From Direct Awards**	**Total Amount**	**Foot-Note Ref.**
U.S. Department of HHS/Pass-Through from WA DHHS	Medical Assistance Program	93.778	1163-33927 0963-53324 Subtotal	$21,937 187,500.00 209,437.00		$209,437	
U.S. Department of Health and Human Services/ Pass-Through from WA DOH	National Bioterrorism Hospital Preparedness Program	93.889	C16880	51,302		51,302	
U.S. Department of HHS/Pass-Through from Multnomah County, OR	HIV Emergency Relief Project Grants	93.914	4600009014	257,855		257,855	
U.S. Department of Health and Human Services/Pass-Through from WA DOH	HIV Care Formula Grants	93.917	C16880	205,884		205,884	
U.S. Department of Health and Human Services/Pass-Through from WA DOH	HIV Prevention Activities_Health Department Based	93.940	C16880	38,456		38,456	
U.S. Department of Health and Human Services/Pass-Through from WA DSHS	Block Grants for Prevention and Treatment of Substance Abuse	93.959	1163-27296	429,492		429,492	
U.S. Department of Health and Human Services/Pass-Through from WA DOH	Preventive Health Services_Sexually Transmitted Diseases Control Grants	93.977	C16880	19,291		19,291	
U.S. Department of Health and Human Services/Pass-Through from WA DOH	Preventive Health and Health Services Block Grant	93.991	C16880	450		450	7
U.S. Department of Health and Human Services/Pass-Through from WA DOH	Maternal and Child Health Services Block Grant to the States	93.994	C16880	335,069		335,069	
Executive Office of the President Executive Office of the President/Pass-Through from WA State Patrol	High Intensity Drug Trafficking Areas Program	95.001	G12NW0009A G13NW0009A G12NW0002A 9008000084 Subtotal	 1,884 25,728 27,612	$76,292 25,955 102,247	129,859	
U.S. Department of Homeland Security/ Pass-Through from Portland Office of Emergency Management	Non-Profit Security Program	97.008	10-170/52307	58,022		58,022	8
U.S. Department of Homeland Security/ Pass-Through from WA State Parks & Recreation Commission	Boating Safety Financial Assistance	97.012	LE 000-008	59,713		59,713	
Total Federal Awards Expended				**$18,951,145**	**$5,251,715**	**$24,202,860**	

CLARK COUNTY, WASHINGTON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(AND STATE/LOCAL FINANCIAL ASSISTANCE)

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Financial Assistance is prepared on the same basis of accounting as the county's financial statements. The county uses the accrual basis. Revenues are recognized to the extent expenditures have been incurred.

NOTE 2 – PROGRAM COSTS

The amount shown as current year expenditures represents only the federal or state portion of the program costs. Entire program costs, including the county's portion, may be more than shown.

NOTE 3 – REVOLVING LOAN – PROGRAM INCOME

The county has a revolving loan program for low-income housing. Under this federal program, repayments to the county are considered program revenues (income) and loans of such funds to eligible recipients are considered expenditures. The amount of loan funds disbursed to program participants for the year was $315,440 and is presented in this schedule. The amount of principal and interest received in loan repayments for the year was $383,557.

NOTE 4 – AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) of 2009

Expenditures for this program were funded by ARRA.

NOTE 5 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is $20,074 that was passed through to a sub-recipient that administered its own project.

NOTE 6 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is $74,335 that was passed through to a sub-recipient that administered its own project.

NOTE 7 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is $450 that was passed through to a sub-recipient that administered its own project.

NOTE 8 – AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for this program is $51,324 that was passed through to a sub-recipient that administered its own project.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Chief of Staff	**Doug Cochran**
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Deputy Director of Performance Audit	**Lou Adams, CPA**
Deputy Director of Quality Assurance	**Barb Hinton**
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